

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, August 8, 2002, 9:00 a.m.
Utah Association of Counties Training Room

A G E N D A

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Audit Committee Recommendations	Tex Olsen
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
	Other Business	
11:00	Lunch	

UACIM BOARD of TRUSTEES MEETING

MINUTES

August 8, 2002, 9:00 a.m.

Utah Association of Counties Training Room

BOARD MEMBERS PRESENT

Gary Herbert, President, Utah County Commissioner
Dan McConkie, *Vice President*, Davis County Commissioner
Lynn Lemon, *Secretary-Treasurer*, Cache County Executive
Steve Baker, Davis County Personnel Director
Kay Blackwell, Piute County Commissioner
LaVar Cox, Millard County Commissioner
Royal Norman, Box Elder County Commissioner
Ed Phillips, Millard County Sheriff
Tex Olsen, Sevier County Commissioner
Gene Roundy, Iron County Commissioner
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

MEMBERS PRESENT

Kenneth Bischoff, Weber County Commissioner
Michael Cragun, Davis County Commissioner
LeRay Jackson, Millard County Attorney
Carol Page, Davis County Commissioner
Steve Rawlings, Davis County Clerk-Auditor
Kimberly Schappert, Grand County Council Member
Dave Wilson, Weber County Deputy Attorney

OTHERS PRESENT

Geri Douglas, Larson & Company
Robb Enger, Larson & Company
Jean Evans, UAC Administrative Manager
Brent Gardner, UAC Executive Director
Shawn Guzman, UACIM Director
Ken Mackay, Robison Hill & Company
Greg Poulson, Robison Hill & Company
Sonya White, UACIM Administration

CALL to ORDER

Gary Herbert called the meeting to order and asked everyone to introduce themselves since there were so many visitors to this Mutual Board of Trustees meeting. All in attendance were welcomed to the meeting.

REVIEW of BOARD MEMBERS ABSENT

Gary Herbert explained that Commissioner Dan McConkie would be arriving late to this meeting.

AUDIT COMMITTEE RECOMMENDATIONS

Tex Olsen, Chair of the Mutual Audit Committee, explained that each year the Committee meets to audit the accounts of the Mutual and examine and test reserves. Those matters directly dealing with insurance have been audited and the actuarial opinion states that losses are being properly reserved and the auditors' opinion states that the financial statements present fair and accurate operations. Each year the Committee has not had a detail of the expenses of the Mutual to audit and reconcile. These expenses are paid and/or applied by the Utah Association of Counties (UAC) out of the administrative budget and any discretionary spending of the Mutual's budget has been exercised by UAC. Made available to the Committee was the Insurance Mutual Transaction Fund report showing an accumulation of \$457,972. The accumulation of funds in this particular account over the years is a concern to the Committee in that the administrative budget has been believed to be only a guide of the Mutual expenditures, not a contract. The Committee has come up with five recommendations in an effort that the Mutual Board of Trustees may become more responsible and accountable with the operations of the Mutual (see attachment #1). This is especially important in this day and age where problems in the private sector, because of close relationships with no clear identification of expenditures, no clear identification of authority and areas of creative accounting are being reviewed.

The first recommendation(s) was approved at the June 27 Mutual Board meeting, *internal control changes: a. Shawn Guzman be authorized to sign claims checks along with Korby Siggard (replacing Brent Gardner's signature) and b. Shawn Guzman be one of the four individuals authorized to sign administrative expense checks*, the Director of the Mutual, who is accountable to the Mutual Board, should have this authority.

The second Committee recommendation, *that an audit be conducted by Larson & Company of the "Insurance Mutual Transaction Fund" on UAC's books*, was recommended so that a determination can be made as to how the monies in the Transaction Fund have accumulated and to identify how much of the money is the Mutual's and should be returned.

The third Committee recommendation, *that UAC provides UACIM monthly reports of the UACIM Administrative Budget*, if UAC is to continue to pay the expenses of the Mutual and disburse monies so that there is a clear agreement that the expenses being paid/disbursed have been authorized.

Basically, Tex reiterated, the Audit Committee's report is that the Committee has been able to audit and feel comfortable with the insurance part of the Mutual and the Mutual is doing well. The Committee has not been able to audit the expense part of the Mutual and there are numerous questions. Following the Mutual Board Meeting on June 27, UAC was advised of the questions and concerns relating to the Administrative Budget and the Insurance Mutual Transaction Fund. Tex stated that the only way to illustrate the accounting problems is to actually review the information and accounting numbers that Brent Gardner presented to the UAC Board of Directors at its August 1, 2002 meeting. Tex requested the opportunity to review these numbers with the Mutual Board.

Gary Herbert questioned on what basis the Committee determined that the balance shown in the Insurance Mutual Transaction Fund was the Mutual's money opposed to the terms under which UACIM has contracted with UAC and their obligation to refund?

Tex explained that UAC has the same fiduciary obligation to the Mutual as the Mutual Board of Trustees has to its members. The Mutual Board has appointed an Audit Committee as a watchdog function authorized to examine and verify all accounts and funds. To demonstrate the need for a clearer separation of functions, Tex reviewed the *UAC/UACIM Year End Reconciliation 2000* that Brent Gardner presented to the UAC Board of Directors (see attachment #2). When the Administrative Budget is approved, the Mutual pays UAC that budgeted amount. This reconciliation shows the budget as a *Management Fee* that gives the impression that there is some type of contract in place, the Audit Committee knows of no such contract. Under expenses, most of the line items are straightforward and the actual expenditures appear to be shown but the following items are cause for concern:

- 1) **Administrative Fee.** This has always been explained to the Mutual Board as an amount to compensate Brent, and any others, for time spent on Mutual issues. The Mutual has been expensed \$10,000 when only \$5,000 was approved.
- 2) **Auto Reserve.** Explained to the Mutual Board that two vehicles are purchased (assigned for the Mutual's use) by UAC with the money (\$14,000 a year) the Mutual accumulates in a reserve account. So, the Mutual has two vehicles but any built-up reserve is shown as a UAC asset. This is an asset that should be shown on the Mutual's financials and the accounting should show how much reserve has accumulated.
- 3) **Staff Salaries.** The Committee assumes this is for Mutual employees, Shawn Guzman, Sonya White and Mark Brady, but does it also include consignment for someone else's salary at UAC? The Mutual Board

should have an accounting breakdown of this expense including the other salary related items such as FICA, Retirement and Medical.

- 4) Loss Control Training. The Committee assumes this is only a direct expense that the Mutual pays for the Loss Control Department.
- 5) Office Equipment. This item does not specifically identify what equipment and furniture has been purchased and is not showing as an asset for the Mutual. UAC purchases equipment and furniture with Mutual money for the Mutual but is claiming equipment and furniture as their asset. This is a problem.
- 6) Debt Service. It is the Committee's understanding that there is a Sublease/Purchase Agreement between UAC and the Mutual, approved by the UAC Board but not the Mutual Board. This agreement apparently allocates a percentage, based on the square footage of space used by the Mutual, to pay a percentage of the debt service each year. Based on the percentage paid, the Mutual owns or will own that same percentage of the building. There is no detailed accounting of what that percentage is and what the Mutual's interest is in the building.
- 7) Building Depreciation. It is the Committee's understanding that the Mutual pays UAC to pay their expenses—cash-in cash-out. This reconciliation shows that UAC expensed \$17,260 on behalf of the Mutual. Under certain circumstances depreciation can be taken as a business expense or as a tax expense but the Mutual is not subject to tax so this is not a cash expense item of the Mutual.
- 8) Building O&M. \$17,306 is probably the Mutual's Fair share but what is the basis for this charge?
- 9) Debt Reserve. The Committee understands that this reserve is apparently written into the financial obligation of the building. That a reserve is built to pay one-year's debt service in the event an annual payment cannot be made. In the year 2000, the Mutual paid \$5,634 and in 2001 the Mutual's share tripled. All monies paid into this reserve by UAC on behalf of the Mutual with Mutual monies must be identified as reserve monies belonging to the Mutual.
- 10) Staff Expense. The Committee did not know exactly what expenses are paid under this line item.
- 11) Convention & Meetings. It appears that this expense comes from a discretionary idea that doesn't come from any facts or figures. The Mutual Board of Trustees has never approved this line item.

This reconciliation demonstrates how the figures are getting distorted, Tex explained, and the same problems continue in the *UAC/UACIM Year End Reconciliation 2001* (see attachment #3). In 2001, the reconciliation shows an Administrative Fee of \$15,000 instead of \$5,000 that was approved. The same concerns carry through the remainder of the line items.

Gary requested that Brent respond to these questions raised, and with the assistance of the UAC accountants, explain the accounting procedures.

Brent's first comment was that he was surprised that he had not been approached prior to this meeting, a formal setting, to resolve these questions. The impression he is getting from this meeting is that UAC has done something to overcharge or conceal or fail to account for monies on behalf of the Mutual. The accumulation of Mutual funds in a UAC account goes back to the agreement that was initially entered in to in 1992, wherein the Mutual Board at that time requested the services of UAC and that there not be a requirement for UAC to account for these funds. UAC had a certain number of staff and a certain amount of expertise already in place that the Mutual Board did not want to require the kind of cost allocation financial accounting that the Audit Committee is questioning. The Mutual Board was satisfied that they would pay a fee and the explanation as to how those costs would be divided was sufficient. It has always been Brent's understanding that the agreement between the Mutual and UAC is no different than contracting with other service providers such as Gallagher and McLarens. The Mutual does not ask Gallagher or McLarens for an accounting of their expenses. That is how the agreement between the Mutual and UAC was set-up and that is the direction that was given to Brent at that time as he administered the program. Brent does not believe those funds in the accumulated account are the Mutual's funds because UAC has been operating, with the accountants and auditors, on the basis that those monies are UAC's. A separate fund within UAC financial records, UAC calls a management fee, is set up for deposits and where some of the expenses are paid. Other expenses are accounted for in other financial records, particularly the McLarens portion of the debt service. In Brent's opinion, the original agreement does not refer to any refund or reimbursement that would go back to the Mutual. The fact that the agreement was changed, requiring a refund or reimbursement from the year 2000 on, is acknowledgement of that fact.

Brent continued by answering concerns addressed by the Audit Committee. Regarding the allocated percentage of the building expenses, each year Brent has reported to the Mutual Board of Trustees that those expenses are divided

based on square footage. The percentage had always been 50% Mutual, 50% UAC up until the time UAC hired two new employees and the percentages changed to 47% Mutual, 53% UAC. The building depreciation item may be termed wrong in that it is actually a building repair and replacement reserve that is included in the \$457,000 fund. As Brent reported to the Mutual Board in 2000, the UAC Board approved an allocation for building repair and replacement that would be used to pay for replacement of heating and air-conditioning systems, carpet, etc. The general contractors gave UAC pricing on what these types of items would cost to replace and the cost was allocated between UAC and the Mutual. Building Operation and Maintenance pays for utilities, janitorial services, etc. The UAC Board of Directors instructed Brent to allocate a Building Debt Service Reserve, over a five-year period, which would pay one years payment of the debt in the event there was a problem making the annual bond payment of \$180,000. This is not a requirement of the bond or the financial institution but the UAC Board of Directors. Reserving for the debt service began in 2000 and UACIM's annual portion of the reserve is \$17,260. Brent explained that on his spreadsheet, where Tex stated that the Mutual's share tripled, the numbers were transposed in error for the reserve and the depreciation amounts. Shawn Guzman requested clarification as to whether the Multi County Appraisal Trust (MCAT) also pays an allocation towards the building and if so, who receives the benefit of MCAT's payments? Brent confirmed that MCAT pays 10%, UAC 43%, and the Mutual 47%. Brent said that Robison Hill can provide any amount of detail the Mutual Board may need to alleviate any concerns but going back to the concept of whose money is in this fund, it is Brent understanding, having been the one that was here at the time the Mutual was created, that the management fee was a fee to UAC, the employees are UAC employees, the vehicles are UAC vehicles and there is no need to account for those separately. It is not a matter of UAC being unwilling had there been a request and the very reason Brent reported a budget to the Mutual Board of Trustees every year was to be cooperative and to disclose to the Mutual Board what was taking place and be responsive to the Mutual. In the Insurance Mutual Transaction Fund that the independent auditors tried to audit, which is a UAC financial statement, a large portion of that fund is expensed for McLarens' building reserves, the Mutual's building and automobile reserves. UAC is charging only actual expenses to the Mutual. The Convention & Meetings expense are those charges that had not been allocated to the Mutual for sleeping rooms for staff at the UAC Annual Convention, meals, meeting rooms, etc., that in 2001 added up to \$5,164. Sonya White asked whether this amount included a credit for sponsorships the Mutual provided to the UAC Conventions. Brent confirmed it did not include a credit and it was made known that Kent Sundberg's sleeping room should not have been allocated to the Mutual because Utah County reimbursed UAC for that room. UAC has a separate convention fund and UAC has been charging the Mutual's expenses to that fund. Lynn Lemon asked if the Mutual staff helps UAC during conventions? Brent said it is possible that Mutual staff helps part of the time but it is UAC staff that plans the convention, UAC is the host and UAC provides all the speakers. It is a benefit to the Mutual to have its members attend.

In an effort to quicken the discussion today, Gary requested that the Mutual Board resolve the issue as to whether or not there was a requirement to provide detailed accounting of the fee paid to UAC and whether or not monies not expensed for all years should be returned to the Mutual. As requested by the Mutual Board at its July 27 meeting, Shawn Guzman gave the Mutual Board a memorandum prepared by Craig Wentz, Christensen & Jensen, relating to fiduciary duties (see attachment #4). ^{Council} The fiduciary duties of the Mutual Board can be discussed at the next meeting but Shawn, who believes he is legal council to the Mutual Board of Trustees, stated that the analogy given that the agreement between UAC and the Mutual is the same as a contract with a private entity is not a good one because UAC controls the assets of the Mutual and therefore, has a fiduciary duty of candor and disclosure. By reviewing Mr. Wentz's memo and then reading the original motion of the Mutual Board of Trustees at its October 26, 2000 meeting, in the beginning of the process of the new agreement, it reads *any positive balance at the end of each year will be reimbursed...retroactive to the inception of the Mutual*. A draft agreement went back and forth between the two Boards (UAC and the Mutual) several times until the results culminated in an agreement that money be returned retro to 2000. In a fiduciary capacity, last page of memo, basically states that if the Mutual Board and/or staff err they need to err on the side of full disclosure.

Lynn Lemon asked Brent if the Insurance Mutual Transaction Fund had been disclosed to the UAC Board. Brent confirmed that yes the UAC Board, the UAC Executive Committee and the UAC Audit Committee receive copies of the UAC audit. The UAC Executive Committee also receives monthly UAC financial statements. Lynn asked if the Insurance Mutual Transaction Fund was included in all prior years audit? Brent said, "yes". Gary Herbert thought that maybe, inadvertently, the UAC Board and the Mutual Board created a conflict that can be easily straightened out with correct accounting procedures. Gary didn't know if there had been any emphasis on this account (the Insurance Mutual Transaction Fund) and the balance of \$457,000 was a surprise to him. The question is, is there any requirement to give an accounting to the Mutual under the Administrative Agreement? Tex Olsen said that he viewed the budget, presented by Brent each year, as a plan of spending within the limits of the budget. If those limits shift,

the budget would be brought back before the Mutual Board. He was never concerned that the budget was considered to be a contract with UAC and if the administrator of those funds saves money UAC can keep it. That just does not make any sense. Tex said that he has always prided himself on being well informed on all the issues related to areas of his responsibility but this entire issue has made him feel derelict in his duties. How can the Mutual Board be certain that a reported budget doesn't have a built in cushion? This type of management should not be the case between two non-negotiating parties. Gary reiterated his question as to whether there is a requirement to return money not expensed or adjust the budget if more money is needed? Brent stated there is nothing in the agreement that talks about a reimbursement or refund until the 2000 agreement was signed. Kent Sundberg stated that the original agreement was silent about the reimbursement, however the Mutual Board has always been told that the administrative budget was actual expenses and were not arms length transactions. The Mutual Board has asked Brent several times if there were any surplus monies. The Mutual Board has never been told there was a surplus. The Audit Committee was shocked when the Mutual auditors disclosed a \$457,000 surplus accumulation on UAC books. The Insurance Mutual is a public entity using public funds and UAC should not be making a profit off of the Mutual's funds. In reviewing the reconciliation spreadsheets prepared and presented by Brent to the UAC Board of Directors, there are several increases in budgetary line items that were never approved by the Mutual Board and then all of a sudden, Kent continued, the 2000 surplus of revenues over expenses that was \$94,000 has shrunk to \$9,000 and in 2001 the excess revenues over expenses that was \$54,000 is now a minus \$40,000. This type of creative accounting does not commend much confidence in UAC and the money should be returned to the Mutual. The Board of Trustees of the Mutual has a fiduciary responsibility to insist that a complete audit be performed of the Insurance Mutual Transaction Fund and that all years surplus be returned to the Mutual. Ed Phillips stated that the term 'contract', as it relates to the Mutual's operational budget, is new to him. He was never under the impression that monies budgeted under the administrative budget was a contract amount of money that the 'contractor' either takes a loss or makes a profit. What happens if the 'contractor' goes over budget? Does the 'contractor' dig up the money to balance the books? Dave Wilson brought the Mutual Board's attention to the language in the agreement which refers to 'all expenses', referring to paragraph three, *Mutual shall pay UAC for all services rendered under this agreement in the total annual sum which shall consist of all expenses.* 'Expenses' the term meaning, "that which has been expended." This language follows the Audit Committee's line of thinking. LeRay Jackson questioned whether all the members of UAC are members of the Mutual? Since they are not, how can the Mutual Board refer to 'we' as 'they'? Gary replied that it is a generalization but Kent agreed that LeRay has a point in that 'we' are separate entities.

Gene Roundy understood Brent Gardner to say that monies in that fund probably belong to UAC because of reserves and that he was working under the assumption initially that close accounting did not need to be kept. There could be other expenses that UAC could have incurred that were not tracked. Brent agreed and now with the 2000 agreement UAC is going to have to account for expenditures either above or below \$7,500. The initial Mutual Board did not require detailed accounting so if the current Mutual Board requires refunds from 1992 through 2002 it would seem unfair to UAC to produce all of its expenses because there was no accounting system setup to do that and it was not required. Ken Mackay verified that it was his impression when the Mutual started up it was a fee. Kent referred to the 'expenses' language in the agreement and directed that Robison Hill should have been tracking expenses but to go back and start moving expenses around isn't right. Ken explained that all expenses haven't been accounted for such as Jean Evan's time spent cutting checks that benefit all entities. Kent responded that on the same token, the Mutual hasn't charged UAC for the expenses of Sonya White and Shawn Guzman every time they do something for UAC. Tex Olsen added that UAC was formed to assist its member counties and if they come up with plans that will assist one or more or a group of counties then the staff at UAC works on that plan. UAC is compensated through the dues each county pays each year. If UAC is assisting Sevier County with legislation or if a county has an unusual problem and UAC helps that county they are not assessed a separate fee or an account is not setup for assisting a county, this is the very purpose of the organization. Brent replied that a separate fund would probably have to be set up if a county or counties asked for a refund. Tex said that surplus monies of the Mutual should not be considered a refund because it is an accumulation of the Mutual's money not expensed. Now that the determination has been made that there is an accumulation of conflicts and past papers can justify the accumulation of funds, the next phase would be to justify the purpose of UAC to the Mutual.

Steve Rawlings questioned the interpretation of the language in the agreement that reads, *...as determined annually and approved by the UAC Board of Directors and the UACIM Board of Trustees.* If those expenses were approved annually, why is the Mutual Board going back to 1992 on these funds? "To clear up misunderstandings," Gary replied. Kent added that every year the Mutual Board approved an administrative budget that was allegedly the expenses—the Mutual Board was always told in fact they were expenses—that were going to be incurred, not a contract, and it was never contemplated that UAC would be making a profit. Lynn said that it would be beneficial to

see the accounting, that is public record, of the UAC audits back to 1992 for each year so the Mutual Board can see how this amount of \$457,000 has accumulated. Sonya White requested to comment and was allowed. She explained that since 1992, Brent Gardner requested that she prepare a budget to actual comparison, using the Statement of Revenue Collected and Expenses Paid of the Insurance Mutual Transaction Fund from Robison Hill's financial statements, in order for him to present budget amounts to the Mutual Board for the coming year. She has a detailed spreadsheet with supporting documentation on a cash basis for the administrative budget that calculates to the accumulation of the \$457,000 fund if the Mutual Board would like a copy. Gary said it was good to know that there is some basis for this amount and that it wasn't just a number pulled out of the sky but it all goes back to the agreement and the legalities of being silent as to whether or not a reimbursement of the fund is required. It may be just a matter of cleaning up the accounting and making sure there is a separation between the two entities as is appropriate and a better understanding of each entities responsibilities. The large amount of \$457,000 surprised many of the Mutual Board. Lynn's concern is that the Mutual Board cannot just accept UAC's explanation this time, that there will always be an underlying issue that needs to be resolved. The Mutual Board needs to have a full documented explanation. Lynn suggested that the Mutual Board look at the spreadsheets prepared by Sonya and then have Brent explain what accrued adjustments need to be made to the numbers. Brent said that Sonya does not have the correct numbers because of reserves for McLarens building expenses. That is exactly what Lynn said; get those numbers from the UAC accountants so the fund can be reconciled. "Are you saying an audit that goes back to 1992?" Gary questioned. "And who should do that audit?" Kent said that Larson and Company is independent and should perform the audit. Tex Olsen made a motion directing Larson and Company to perform an audit of the Insurance Mutual Transaction Fund portion of the Utah Association of Counties financial statements from 1992 through 2001. Ed Phillips seconded the motion. Dan McConkie questioned whether the Mutual Board has the authority to authorize an audit of UAC books? Lynn explained that the Mutual Board is only asking for an audit of the Insurance Mutual Transaction Fund that is part of UAC's books, not all of it, only the accounting that is the expenses from the administrative budget that Brent presents to the Mutual Board each year. Geri Douglas explained that the Insurance Mutual is governed by the State so there is a possibility that the State Auditor may want to conduct an audit if the Mutual Board does not elect to independently have an audit performed. Steve Rawlings suggested having Robison Hill conduct the audit to eliminate costs or duplicate efforts that have already taken place. The Mutual Board all agreed that Larson and Company would conduct the audit. There was no further discussion on the motion, which passed unanimously. Geri Douglas estimated that the audit would take one month to complete. Gary directed Sonya to include the audit report on the agenda for the September 19, 2002 Mutual Board meeting.

The Audit Committee's primary recommendation is that the Mutual Board review and change its practices so that it doesn't get into another situation as discussed today. Part of this Mutual Board's fiduciary responsibility is to delineate the lines of responsibility, the agreement, process and format between the two entities. The Mutual is large enough that it can handle its own transactions. If officials serve on both Boards (UAC and the Mutual) they need only to declare a conflict under Utah law to proceed. UAC and the Mutual are not competing entities but ones who serve the same customers with a vested interest for the success of the product to all those same customers. Any conflicts or differences are resolvable. At this time, as the Mutual has grown, a more definitive audit procedures of expenses, rather than an assumption, should be made.

Kent Sundberg proposed that the Mutual Board consider approving Audit Committee recommendation number three. Kent made a motion that UAC provide the Mutual with monthly accounting reports of the administrative budget. Steve Baker seconded the motion, which passed unanimously.

Kent Sundberg made a motion to adopt Audit Committee recommendation number four, that several line items be eliminated from the Mutual Administrative Budget and transferred to the Mutual General Budget leaving rent and salary related items under the administration budget with UAC. Steve Wall seconded the motion and the motion was open for discussion. Tex Olsen explained that by approving this motion the Mutual Board would manage and be responsible for its own expenses, further clarifying that the budget of the Mutual is not a contract. Although the Mutual may run into the same problems by approving salary related items to continue to be administered by UAC. Steve Baker said that the Mutual Board should have convenience and the motion, in his mind, seems to create inconvenience. The focus should be more on the agreement and clearly defining the relationship between the two entities. Kent Sundberg was willing to withdraw his motion if the Mutual Board will consider the Audit Committee recommendations number four and five at its next meeting. Steve Wall agreed to withdraw his second.

SET DATE and TIME for CLOSED MEETING

Kent Sundberg made a motion to strike this agenda item since there are no pending or reasonably imminent litigation matters to discuss. Dan McConkie seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion to strike this agenda item since no action needs to be taken on litigation matters. Dan McConkie seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Kent Sundberg made a motion to set the date and time for a closed meeting to discuss the character, professional competence, physical or mental health of an individual to begin at 10:56 a.m. on August 8, 2002. Kay Blackwell seconded the motion, which passed unanimously.

Gary Herbert called on Kimberly Schappert who had a question before everyone, but the Mutual Board of Trustees, was sent out of the room. Kimberly questioned whether or not the Mutual Board was going to address the issue of the UAC basement build out? Gary answered "no".

Tex Olsen made a motion to conclude the closed meeting at approximately 11:45 a.m. on August 8, 2002. Lynn Lemon seconded the motion, which passed unanimously.

OTHER BUSINESS

The next meeting of the Mutual Board of Trustees is scheduled for August 28, 2002 at 1:00 p.m. at the UAC Building.

Approved on this 19 day of September, 2002


Lynn Lemon, UACIM Secretary-Treasurer, Cache County Executive

Gary: Welcome everybody to our specially called insurance mutual meeting for this day. We don't have a very large agenda but we do have a very important agenda. We have a number of people here who are guests and we appreciate them being here. What we probably ought to do, so that everybody gets a feel of who we have here, let's just go around and have everybody introduce each other on the table and then go around the outside and introduce who we've got here, so, that will help us get started.

Royal Norman, Box Elder County, County Commissioner
Sonya White, Insurance Mutual Staff
Shawn Guzman, from Utah County but also the Director of the Insurance Mutual.
Steve Wall, Sevier County Clerk-Auditor
Kent Sundberg, Utah County Attorney's Office
Kay Blackwell, Piute County Commissioner
Lynn Lemon, Cache County Executive
Steve Rawlings, Davis County Clerk-Auditor
Steve Baker, Davis County Personnel Director
Ed Phillips, Millard County Sheriff
LaVar Cox, Millard County Commissioner
Gene Roundy, Iron County Commissioner
Brent Gardner, Executive Director of the Utah Association of Counties
Jean Evans, UAC Staff
Greg Poulson, Robison Hill
Ken Mackey, Robison Hill

Gary: Who is Robison Hill?

Greg: Accountants for UAC

Tex Olsen, Sevier County Commissioner

Michael Cragun, Davis County Commissioner

Gary: You're on, you represent, you're here, just a UAC Board member?

Cragun: Here to observe your meeting.

Geri Douglas, Larson and Company. We're the auditors for the Insurance Mutual.
Rob Enger, Larson and Company

LeRay Jackson, Millard County Attorney, UACIM Litigation Management Committee Member.

Dave Wilson, Weber County Attorney's Office and the UACIM Litigation Management Committee.

Gary Herbert, Utah County Commissioner, President of the UAC Insurance Mutual. Again, welcome everyone here. I know Commissioner McConkie will be here a little bit late, he had an earlier meeting and is there anyone else we're missing? I think all the rest of the Board is here. Again, appreciate you being here. As far as Review Board Members Absent, Commissioner McConkie will be here so we'll dispense with that. Tex, next on the agenda is the Audit Committee Recommendations, so let's, I think we're going to review the audit, tell us what the circumstances are and then we can enter into a discussion.

Olsen: The Audit Committee has been meeting each year to audit the accounts of the Mutual. For the past three years the Audit Committee has audited those matters that have dealt directly with insurance. They have met with the actuary to test the reserves that have been kept because all of the funds do not go out and part of our expense items are in reserves. Those reserves need to be examined and tested. Each year we have found that we have been able to audit and reconcile the insurance end of the program but the practice of the Mutual has always been to have UAC pay its bills. So each year it has put money with UAC, had its bills paid and then the Audit Committee has not had available to it the detail of how those bills have been paid and how the funds have been applied. What we have done

each year is have a budget account. That budget account we have just budgeted funds into different categories and the budget then is a guide that we have never viewed as a contract with UAC but the dollars that went into the budget were paid over to UAC and it amounts to approximately less than half a million dollars put in that area. So each year then, UAC has paid out of those funds, they have paid the payroll and also paid the building expense but there has never been available to the Audit Committee those figures. So the only information that was available to the Audit Committee was a copy of Utah Association of Counties accounting in this particular area, which showed an accumulation of the Mutual's funds in the amount of \$457,972. So it concerned the Audit Committee as to how there could be that accumulation of funds in this particular account over the years. We started reviewing the matter and saw that the detail was just not available to us so the Committee thought that rather than coming back to the Board with just a caveat that everything we've seen looks alright but what we can't see we can't report on. We decided to go with written recommendations. The situation has always been family, we're all members of UAC and really we are they and so no one has ever worried about the deal but when we saw a figure of approximately a half a million dollars we became concerned. Kent has duplicated both they financial information that our Committee...well I see you're passing around the recommendations of the Committee. We started to examine the way we're audited and the way we are operating is that, just as I've explained, money is paid from the Mutual to UAC, UAC disburses it. All of our employees are employees of UAC and any discretionary spending of our budget has been exercised by UAC. We made the recommendation that, first we found that our Director isn't even on the, and that's Shawn, isn't on any of the accounts and we thought that in the day-to-day business available to handle it. First recommendations is that probably Brent Gardner's signature ought to be replaced by active personnel on this account and that Shawn be authorized to sign the administrative expense checks. What we're getting to is that the Mutual has grown to the point that we need to separate the funds and so we need to start doing that so part of our recommendation was that our Director be in charge of the expense and authorizing the expense that he is directly accountable to the Mutual Board. We have recommended that there be an audit of UAC's books to determine what this half million dollar fund is and how much of that is actually the Mutual's money which would be identified as the Mutual's money or come back to the Mutual. And we have also recommended that we have detailed reports if UAC is to continue to pay our bills, disburse the money, so that we know exactly what the expense is and that there is a clear agreement that the expense is authorized. Basically, our recommendation is, as you will see, that the Mutual has got to be more responsible to run its own business and be accountable to those who are in the Mutual. Of course we are in a climate right now where, I've just been looking at a Kiplinger Letter that came out just yesterday, where they are reviewing the problems in the private sector because of close relationships and no clear identification of expenditures and no clear identification of authority and in areas of creative accounting. So we have also recommended an audit and that that account be settled as to whose funds belong where. Now this takes the report just a little beyond what, that is the report of the Committee, that the insurance end that we have been able to audit we feel comfortable with and is doing well. The expense end we have not been able to audit and there are numerous questions. Just to illustrate the problems that we're concerned with is after our meeting last month, UAC was advised of our concerns and Brent did prepare an accounting that he presented to the UAC Board. He presented because there is a need for both the UAC Board to approve the accounting and our Board. And I think the only way to get into an accounting problem is to actually talk about the figures and I don't know of an easier way. I'd like to take the time to review the proposed accounting that we approved and the UAC Board approved and discuss it because I think it points up the problems that the Audit Committee is trying to point out.

Herbert: Tex before you do that why don't we just acknowledge Kimberly Schappert, Grand County Council is here with us and Ken Bischoff, Commissioner of Weber County has joined with us and welcome them. As part of this, help me and maybe there are any others, we talk about this \$457,972 as if there is some account out there that all of a sudden has this money stuffed into. Is that accurate? What is the description of this money?

Olsen: Since we haven't been able to audit that account. It is pretty tough to talk about it specifically. What we assume is this, that we have had a budget every year and ordinarily you don't spend your full budget and so there is a little left over every year and in some years it has been a substantial amount left over.

Herbert: Does this come from the management contract we have with UAC, the Insurance Mutual contracts with have with UAC where it's a management contract of ex amount of dollars and as we go through years there is some excess each year and this is an accumulation over these past eight years or so?

Olsen: That was our view and that was our serious concern that it was an accumulation of money that hadn't been spent that really belongs to the Mutual but UAC is retaining the ending account.

Herbert: On what basis is it determined that that would be the Insurance Mutual's money as opposed to just we contracted with them and it was for ex amount of dollars whether it was spent, whether it was over or under? I know we've had some discussion here in recent couple of years when Brett Rich retired and there was a big salary and we started talking about what is the over/under and whether we should get the money back but on what basis is there the obligation for UAC to refund?

Olsen: UAC has the same fiduciary relationship to us and Brent has the same relationship to us as a fiduciary to handle the funds because that's what he was, the money was just paid in and the bills were paid and anything that was left looks like its gone into this fund and there may be other explanations but we just don't have, that's the way it looks and we as directors have an obligation to our members and then you appointed us as an Audit Committee and the Audit Committee has that watchdog function to be able to examine and verify and we're saying within this expense category we have not been able to examine and verify. There is an accumulation and it just appears on the surface, to us, that the accumulation was funds of the Mutual being held by UAC. To demonstrate the needs for a clearer separation of functions let me just go through the 2000 statement that we have been presented for approval and it is a little tedious but I think it just bares doing it because we can kind of explain where we are. Now the total budget was \$447,686 and then we got...

Herbert: Does everyone have what you're reading from?

Olsen: I'm reading...

Herbert: Looks like we've got some copies here and everyone at the table, certainly Trustees, ought to have a copy of whatever you're reading from.

Lemon: Now this is what Brent handed us at the UAC Board meeting?

Olsen: That's right and that's what I propose to discuss which points out some of our problems.

Herbert: Anybody that doesn't have one that wants one? Okay, Tex.

Olsen: The first item at the head of this is titled Management Fee. There has never been a management fee other than what we've agreed to, this administrative fee for \$5000 paid for services. So it gets us off, it appearing that there is some sort of a contract that year we contract for a dollar amount and that is a management fee which would mean if there is money left over then that's part of the earned fee. We on the Audit Committee know of no such agreement.

Herbert: So is that mislabeled is that what you're saying?

Olsen: We're saying at the start that is just mislabeled and gets us off on a...

Herbert: We do have an agreement with them for that so what would more accurately describe that?

Olsen: Budget. That's what we've always called it in our minutes.

Sundberg: Administrative Budget. That's what we've always called it.

Olsen: Administrative Budget. Then you go down to expenses. Auditing expenses, that's straight forward, the figures are there, that's accurate. Now, Administrative Fee. Now the Administrative Fee that we had talked about on the Mutual Board is to pay to UAC \$5000 for these services, paying our bills. Now, you see, we're being billed \$10,000, which is twice what we had understood it to be and we know of no agreement on the UAC side or the Mutual's side that suggests that that should be increased 100%. The Auto Expense, that's straight forward and we assume that is just bills paid out but we've never seen any accounting on it. Then we get to Auto Reserve. And the Auto Reserve is \$14,000. The practice has been, I've been told, that UAC buys two cars that are assigned for the Mutual's use and that buys them, the Mutual's money and then the \$14,000 level payment means we have the two cars plus the accumulation from this payment so we build up a reserve that might be \$40,000 or \$50,000 but that is shown as a UAC asset. If we were to dissolve today, it's UAC's money unless that's straightened out. That is an asset that should

come on to UAC's books [Tex said UAC but does he mean the Mutual] and the accounting should show that the reserve and probably good conservative practice to continue to reserve but that is UAC's [Tex said UAC but does he mean the Mutual] money. Board Expense, that's straight forward, I assume that has just been paid out for the benefit of this Board but we've never seen an accounting.

Phillips: That \$14,000 would be UAC's money or the Mutual's money?

Olsen: It's the Mutual's money but in this accounting it is not on the Mutual's books, it belongs to UAC. The point now is that that is part of the management fee to them that they do these things...

Herbert: It's our car, what you think technically, but it shows as UAC's.

Olsen: UAC's car, our reserves. Copying, that's straightforward except we don't know how it's figured. Do we buy those machines, or do we meter what's done or do we just have some formula to divide it? Not a big item but we just don't know about it. Data Processing, same thing. Dues and Subscriptions, same thing. Staff Salaries, and we assume, this is for salaries for Mutual employees, Shawn and Sonya primarily, but again we don't know. Is there a consignment where we pick up part of someone else's salary at UAC? It might be that we should but atleast we don't know and it might be something we need to talk about. FICA, same, Retirement, same comment, Medical Insurance, same comment. Loss Control Training, and I assume that is the direct expenses we've had. Same with the Newsletter. Now, Office Equipment. Office Equipment isn't identified and we don't know on our books whether the Mutual owns any furniture and equipment so if we tried to divide those things UAC bought them, looks like UAC owns them, so we don't have an asset on the books and of course we buy equipment every year, so that's a problem. Here is a problem, Debt Service. Our agreement is that since there was some difficulty setting the rent, because the rent had to be set to meet the debt service, and so we worked out an agreement with UAC where it was just easier for the Mutual to own part of the building. In our agreement is we will own that part of the building we pay for. So we'll compare the money we pay into UAC's, but from this figure we see we paid in 2000 \$92,833 but we don't know what percentages are. We ought to have a running total. UAC paid so much, we paid so much so when the bonds come to the end we can determine what our interests in the building are, it's all laid out and it's in the accounting.

Herbert: Tex, I thought we actually had some type of kind of an agreement as far as what our percentage...

Olsen: Our agreement is that we are paying in according to the space we use, as I understand it, and that when this things ends we'll add up everything we've paid in and add up everything UAC's paid in and figure our percentage of ownership.

Herbert: I didn't ever think this was just a number pulled out of the sky though. Again you're talking about...

Olsen: What I'm talking about is that there is nothing in the accounting to show us what that figure is.

Herbert: We probably actually have an agreement with the Insurance Mutual with UAC as far as, based on proportionate utilization of square footage from when we became/moved from being a tenant to an owner. If we have 40% of the square footage we're paying 40% of the mortgage.

Sundberg: We have an agreement and principle has never been finalized.

Olsen: The agreement just isn't detailed enough so...

Herbert: This morning it's not detailed enough now I hear Kent saying it's not even finalized.

Sundberg: We've talked about that. Apparently UAC Board has agreed to that, UAC Insurance Mutual's Board agreed to that but it has not been finalized.

Herbert: That is probably the basis of the number though, I'm guessing.

Olsen: Then on down to the Building O&M and that is \$17,306 and that's probably the Mutual's fair share but we don't know what it is based on and so we really need that. Then we come down to a figure of Debt Reserve. Now

apparently in our financing, we, and I say we, UAC is required to have probably a years payment in reserve and what we've done is split that between us and we pay in the \$5634 in 2000 and in 2001 it's three times that, but the problem is that that is UAC's money and it is again not identified as reserve that belongs to the Mutual. In other words, all the Directors knows anything about it on either side and come to the end of this thing, thirteen or fifteen years from now, that reserve belongs to UAC and we pony-up the final payment. The accounting should show that reserve that is not used to make a payment as belonging to the Mutual.

Lemon: Isn't that reserve normally set-up to...the bond?

Olsen: It usually is but apparently there must be some system here that allows two or three years to accumulate it but I don't know what the reserve will amount to, could amount to \$100,000 or so, pretty substantial bond. In the end, that money under the present system [tape ended] you go on down to other items such as Staff Expense, the Audit Committee doesn't know what that is. We have Salaries and then we have Staff Expense and it's just a matter of we need to know. Then we get down to Convention & Meetings and it's kind of a problem because those on the Mutual Board are also members of UAC and our counties are all assessed a convention expense and we pay it through the counties and so we just don't know if that \$5000 figure is fair or isn't fair but it's one of those round number so it comes from a discretionary idea that doesn't appear to come from any facts or figures. Running down this list the accountants show that UAC owes the Mutual \$94,000 but you modify these figures we talked about from the figures we've identified, well there's one serious figure that I did not discuss and that's Building Depreciation. Go back up to Building Depreciation. Our operating agreement with UAC is that we give them money, they pay our bills, cash in cash out. Here we are show as the owner of a portion of the building but yet as an operating expense depreciation is figured at \$17,260 and that UAC never pays it out if you don't pay out depreciation. Under certain circumstances you could take depreciation off as a business expense, under certain circumstances you can take it off as a tax expense but the Mutual isn't subject to tax so that is not an expense item. We've paid the O & M and we also paid our share of the Dept Service and also paid Reserve so that Depreciation of \$17,260 that UAC has not paid out in our behalf.

Herbert: Do we now if UAC is expensing the depreciation in their budget?

Olsen: You see, we don't know how they're carrying the budget and regardless of whether they are or aren't those items would come out of their payment to acquire a building and they would not come out of, how you could assess the Mutual \$17,000 because our share of the building has depreciated that just is not an item, is not a cash expense item. So you can see how our figures are getting a little distorted and you go to the year 2001 you have the same problems. There the Administrative Fee instead of \$5000 has multiplied to \$15,000 and the rest of the column that I've named has pretty well carried through the accounting but it shows you the problems.

Herbert: I think we understand the situation here and we need to get through this today. Let's see if we can keep pushing on here. It looks like to me, Tex, that the Audit Committee is saying to us, while we're not sure we're following correct accounting procedures maybe we don't have the correct labeling here, we've got things in the wrong columns and identified incorrectly. And the other part of that is that for some of the expense side it does not seem to be, that we've seen, adequate backup or detail to give us some kind of confidence that these numbers are accurate, they may be in fact very accurate but we've not seen anything to reference them from as far as details and backup to justify the numbers on the expense column, at least some of them if not all of them. Would that be accurate, those are the two areas? Okay, we've seen your recommendations and I think everybody is prepared to stipulate that we can do things better than they have been done. What do we want to do from here, Tex, from Audit Committee, as far as the discussion of the Board here goes?

Olsen: First we've got to establish principles where we don't get into this problem and that would require a separation of duties and I think we have identified our employees and have them on our payroll and if UAC has accused/helped us in that area it would be merely a payroll service and it wouldn't have the expression of how those funds are...

Herbert: Do we want to have; again I think we need to have some discussion over here at least try to have some explanation to reconcile some of the questions you've raised. The question is, do we have Brent speak, do we have the, do we hear from the accountants if there is any explanation or thing they would like to add to what the discussion is before we have an open dialog as far as what is the resolution to this? Brent, let's just turn some time to you. You've heard the issues and maybe you could add some light and if you need the accountants speak regarding the number or the accounting procedures, again we hire people so that this can be done correctly, I guess, for most of us.

Gardner: Well, I would like to respond. I guess my first comment is that I'm surprised that we've not been approached before we've gotten into a formal setting like this and there are some, at least there seems to be some impressions being left that UAC has done something to overcharge or conceal or fail to account for something on behalf of the Mutual. I think a lot of this could have been resolved in a more informal way if there had been the opportunity to do that. Let me go back to the beginning, some of the things that Tex commented to begin with. Talking about the accumulation of Mutual funds in a UAC account. There is an agreement in place that was initially entered into in 1992 which set up a relationship between UAC and UACIM and that this Mutual Board of Trustees at that time had requested the services of UAC and it was their decision that this be a management arrangement. That there not be a requirement for UAC to account for these funds. The discussion was that this would be in place because UAC had a certain number of staff and a certain amount of expertise already in place that that Board did not want to require the kind of cost allocation financial accounting that you're talking about now and that at that time they were satisfied that they would pay a fee and the explanation about how those costs would be divided up at that time was sufficient. In my mind it is no different than contracting with other services providers to the Mutual such as Gallagher provides brokerage services or McLarens or even the internal auditors for the Mutual. The Mutual does not go and ask for an accounting of a debenture that's funded by McLarens. And that was the way this was set up. That was the direction that was given to me at that time as I administered this program. We established it that way. I do not believe those funds in that accumulated account, are the Mutual's funds. Those are UAC funds and there is an explanation for the large majority of those, how they've been, the reasons why they've been accumulated. I think that's a very large concept that obviously this Board needs to discuss and the UAC Board needs to discuss because we've been operating as staff with our accountants and our auditors on the basis that these are UAC funds. That was the reason why UACIM had no employees. The Board of Trustees of the Mutual said to UAC, 'we would like you to provide these services, oversee these staff members' and as Tex indicates, 'pay our bills' and we have done that. We did set up a separate account or a separate fund within UAC financial records to deposit what we call a management fee into that account and we pay some of the expenses out of there, we do not pay all of the expenses out of there. Other expenses are accounted for in other financial records, particularly the McLarens accounts because in the beginning there was no request on the part of the Mutual that the Mutual pay all of McLarens Debt Service, Building Expenses, for example. So they had to be separated out and they were charged to a different account. I believe that that is a major issue and I think that is what the agreement called for. The agreement doesn't refer to any refund or reimbursement that would come back to the Mutual and I think that the fact that the agreement was changed in the year 2000 to require a reimbursement, a refund is an acknowledgement of that fact.

Herbert: So you think this \$447,000 we got in 2000 is this...of management fee versus administrative budget? Is there any significance to that? What did we do prior to this?

Gardner: To me there is no significance, apparently there are, it was the fee paid by the Mutual to UAC to administer its program and so we did that and we use that fee to pay the expenses. Specifically to some of the questions that came up about, for example, 'not knowing the percentage of how the building expenses are allocated'. I've reported to this Board every year on how those expenses have been divided up based on square footage. It was 50% to the Mutual and 50% to UAC up until the time that UAC hired two new employees and it changed at that point to 47% for UACIM and 53% to UAC as we went through these budget discussions I indicated that. I've also indicated that the building depreciation, for example, as you used that as an example, perhaps depreciation, again, is the wrong term, it's building repair and replacement.

Lemon: But there is Building Operation and Maintenance.

Gardner: Right. Building Operation and Maintenance pays utilities, it pays janitorial services. Building Repair and Replacement at the request of our Audit Committee and our Board of Directors...

Herbert: Who is 'ours'?

Gardner: Utah Association of Counties. ...they requested two things which I reported to this Board at the time they were included in the budget, one was, Building Replacement and Repair, for years down the road when, for example, have to replace heating and air-conditioning systems, perhaps re-carpet, we broke those out on a basis that was given to us by the general contractors who built the building. He said, 'we think this is about how long your heating and air-conditioning system will work before it needs to be replaced, here's what it costs to buy it' so we budgeted those out.

Lemon: So is that like a reserve account, Brent, where you set, I mean, you charge like in 2000 you charged \$17,260, was that for a reserve or was that for actual costs?

Gardner: That is just what I explained to you, a reserve to replace, repair equipment.

Herbert: ...accumulate....is UAC doing the same thing on their side?

Gardner: They are and that money is included in the \$450,000 that you believe is surplus and is part of that now.

Lemon: So you're saying that you haven't been doing that building appreciation except for the last couple of years or whatever?

Gardner: We began in the year 2000 which was when we were instructed to begin by our Board and I explained that, I think, time...

Herbert: Our Board meeting or UAC Board?

Gardner: UAC Board. The Building Debt Service. Let me go back. Building Depreciation may be the wrong term. I used depreciation because it is simpler to type in there but we would use the money for replacement and repair of the building itself and its facilities that some point in time, agreed to, when that became necessary, rather than go back and allocate the full expense, for example, of replacement any of those items in the year when they broke down or in the year when they were so bad they had to be replaced. Building Debt Service Reserve or Debt Service Reserve, again at the direction of the UAC Board of Director we were instructed to include an amount for one year Debt Service in case there was a problem. This is not a requirement of the Bond, it's not a requirement of the financial institution, it was a requirement placed by our Board, UAC Board of Directors. The approximate amount of one year's debt service is \$180,000. They instructed us to accumulate that over five years beginning in 2000. UACIM is paying \$5634 for five years and UAC is paying a proportionate amount for five years to accumulate one year's debt service in case there was some reason why a payment couldn't be made in the middle of the year. For example, assume some county drops out of the Mutual and drops out of UAC and refuses to pay, such as Salt Lake County who pays a large share of both, a large share of UAC at least, Utah County if you wanted to use both. That was the rationale for requesting the debt service reserve that's included in the \$450,000 that you've looked at.

Rawlings: Brent, just to help me eliminate a little confusion. In the 2001 accounting, are Debt Service and Building Depreciation reversed there? The numbers?

Gardner: In what?

Rawlings: In the 2001 numbers you've got \$17,260 as Debt Reserve, should that be the \$5,634 number?

Gardner: Yeah.

Rawlings: Okay. Those two need to be switched then?

Gardner: Correct. They're the same in both years. They should be the same in both years.

Guzman: One of the questions that came up, so you can clarify this. MCAT pays the same towards, pays towards the building as well so that would mean that, in other words, who gets the benefit of MCAT's payments and does that mean that UAC pays 53, the Mutual pays 47 and no credit goes to MCAT? Who gets the offset of the MCAT, Brent, that was one of the questions, that...

Gardner: UAC pays 43, MCAT pays 10, and the Mutual pays 47. Based on space.

Guzman: So the Mutual's share is greater than UAC, then MCAT, in that order?

Gardner: Correct. The other accounts in here, that you refer to them, I think Robison Hill is here, they can provide any amount of detail that would have been requested prior to now, would have given it to you or any of the others that you brought up. So again, going back to the concept of about whose money is it. Again, it is my understanding, having been the one that was here at the time this was created, that that was a fee to UAC, those are UAC employees, those are UAC vehicles and there was no need to account separately for those. It's not a matter of being unwilling had there been a request. The very reason why I brought this budget in every year was to be cooperative and to disclose to the Board what was taken place. In hindsight it may have been more consistent with UAC and my understanding of the agreement to have just brought an annual figure and said this is it without any accounting whatsoever on either side. Either as a budget or as an expense but we were attempting, again, to be responsive to the Mutual and try and demonstrate what was being done and so that's the explanation as to how it's being done. Let me point out. In the fund the independent auditors tried to audit, which is a UAC financial statement, there is no McLarens Debt Service or principle payment at all included in there. So there is a large amount of money that is expensed that UACIM asked us not to charge McLarens for that needs to be charged to the Mutual. And so if you examine the figure, the statement with the \$457,000 number on it you will see it does not match the Debt Service on these two sheets that I've provided to you. That's because McLarens is not included in this. So there's some large, if you add up the McLarens Debt Service and Building Expense the reserve amounts that are in there for the Building Repair and the Building Debt Service and the Automobiles a very large portion of the \$457,000 is earmarked for those purposes and we could have explained that to you. So if you want to get into more detail on these we can answer any other questions.

Herbert: Is the details on the expense side come from Robison Hill?

Gardner: All of these line items, with the exception of one or two; we are charging actual expenses to UACIM.

Herbert: What is the, seem to be that as the Convention & Meetings expense?

Gardner: Well I'll tell you what happened on Conventions & Meetings. If you look at 2001 you can see the number is \$5,164. I went back into 2001 and examined the costs that were being charged to UAC for the rooms, for the sleeping rooms for Sonya White, Shawn Guzman, Mark Brady, and the UAC Board of Trustees who travel to the UAC Convention. We stay over night, three or four nights, and for the meals that are associated with the member and the insurance coordinator meeting that's held in the spring and the fall and the building rental that the Dixie Center or the hotel charges us for that room. Added all those up for 2001 and it added up to \$5,164. If we're going to...

White: Is that including Gallagher where they have sponsored the meal? They pay a \$1500 sponsorship of the meal for the members?

Gardner: Didn't include Gallagher.

Lemon: You said the Board of Trustees. You don't pay for the Board of Trustees rooms.

Gardner: You pay for Kent Sundberg, specifically, Kent came down.

Sundberg: No, I just used a room that you had reserved, the County reimbursed you. The County has always paid for it, I just couldn't get a room that time and you had an extra one.

Evans: County reimbursed us.

Gardner: Oh, the County reimbursed us, okay, well I, that's fine. Well anyway, that's where the \$5,164 came from...

Olsen: How do you separate the County contribution? Sevier County makes a contribution and we buy our own rooms, I just don't understand the....?

Gardner: It's a UAC Conference. UAC has a separate convention fund for those funds when they come in. We've been charging UACIM expenses to that fund not to UACIM. It seems to me that that is a UACIM expense if they are going to send their people to the meeting. We don't pay, for example...

Herbert: That's the Board Meeting, not the UAC Convention.

Gardner: Well for whatever amount of time they're there.

Lemon: Brent, can I ask a question, I'm just thinking out loud, doesn't Shawn and Sonya and whoever, I mean they are there helping you as well as the Mutual, are they not? I mean, when they go down there they're not just doing Mutual stuff, correct?

Gardner: Part of the time they are.

Lemon: I mean, it's like, you kinda share responsibilities back and forth.

Gardner: But we plan the convention with our staff people. We host it. We set up all the speakers. So I think, if you want to get very technical, you could say, yeah, there is probably some benefit on the side of the Mutual to have their people there for UAC's benefit there is also some benefit on the side of UAC staff setting the whole thing up and allowing the Mutual to be a part of that.

Herbert: You know, I think, here in the beginning, I've been here probably as long as anybody, there was cross pollination, there's going to be some mutual benefit, that's the reason it was setup the way it was. Whether that should continue, I guess it is part of the debate today. But I think we need to get one issue resolved, maybe it's THE issue, maybe help us get through this a little quicker and that really has to do with, when this was put together, did in fact we put together what we call a management fee or administrative budget, we're going to hire UAC to provide certain services and is there in fact really any requirement to come back and say this is how we spent the money you hired us to provide the services for in a detailed accounting, if we hired them for \$447,000 whether they make money or lose money, I guess, in the beginning at least did anybody care? I know typically if we hire people for services, if I hire Tex Olsen Landscape Company to come in and put in landscape here and I say I'll give you \$300,000, Tex wants to plant grass and shrubs and sprinkler system if you make money on it or don't that's irrelevant to me, I've hired you to provide it and I just want to see when it's all said and done that it was grass, shrubs and sprinkler system in there. What you had to do to pay for those dealer cost, subcontract other people is irrelevant to me. It appears, at least, that is the explanation, that's how it was setup in the beginning until such time, and I mentioned to others here, that it seemed there was a change when Brett Rich was here and then he stepped away and went other direction and we ended up having two or three months of salary that wasn't being paid which was part of our management agreement and the Insurance Mutual said, 'hey, you, you're not spending the money, we're not getting that service here that's been vacant for two or three months, we want that money back, we want an adjustment to our contract and then we evolved with that into a discussion as far as how much overage and underage should be accounted for and we ended up after discussion back and forth with both Boards, Insurance Mutual and UAC, we ended up coming up with \$7500 as kind of the target. Within that target of \$7500 it's a wash if it's outside of that we've got to make some kind of reconciliation pay, whoever is due money, whether it's Insurance Mutual owes UAC or UAC owes the Insurance Mutual. That is kind of what I recall, but we've got to decide whether that is in fact the case or not. If it was the case then we'll have allot less discussion.

Guzman: Gary if I might add, I've handed out this memo on fiduciary duties because the Board asked for this last time. This is for you to look at this time, we can discuss it at the next meeting or the meeting after that but, as legal council, and to who, I assume the Board, that's what I've been told, I have to say that it's a, the same as a contract with a private entity is not a good analogy because, at the UAC meeting I heard Brent say that he was the Administrator of the Mutual and that was never explained to me but that's fine, but what that means is, you have someone who answers to two Boards, has control essentially of the assets of the Mutual and therefore has a fiduciary duty of candor and disclosure. Now, I'm not saying that anything, in my capacity as legal advisor, I just assumed that Bill Peters is Brent's, I wouldn't go in there and say, 'Brent, this is what I think you need to do as legal advisor to the Mutual', I didn't know, if I'd known he had the title of Administrator, I would have gone in and said, 'Brent, this is what I feel we need to do', but when you read this memo and then you look at the original agreement by the Board, which the original motion by the Board, in beginning the process of this new contract, the original motion was all money from all years be returned and then it evolved with Brent going back to the UAC Board and coming back to the Mutual Board and coming back to the UAC Board, I mean, I think it went back several times with different results to culminating in an agreement that says it's retro to 2000. Now in a fiduciary capacity you would need to disclose and there is a cite in this memo, which was prepared by Craig Wentz, of Christensen & Jensen, that says, on the last page, tape ended.

Lemon: ...received that?

Gardner: Yes.

Lemon: Or the Executive Committee?

Gardner: Yes, and the UAC Audit Committee and the UAC Officers receive monthly transactions.

Lemon: So it was there, was it there in all the prior years.

Gardner: Yes.

Guzman: To finish what I'm saying here is that if we error we have to error on the side of full disclosure. I'm a UAC employee as well, so that's my duty as well.

Herbert: I don't think anybody's going to argue with that. I guess, did we, inadvertently, we the UAC Board and the Insurance Mutual Board of Trustees created a little bit of a conflict here, when we obviously can just straighten out a make sure we're having correct accounting procedures and we're not putting Brent in a catch 22 here. I don't know if there has been any emphasis on this account? Again, I can tell you that the \$457,000 has been a surprise to me. Again, the basic question is, is there any requirement to give an accounting to the Insurance Mutual for this management contract in the past? Have we had that requirement or has it just been courtesy that we've received it in the past anyway?

Olsen: Well, what we've had is a situation where we are there as one big family and Brent had a lot of good experience with the Mutual, he'd bring in a budget and actually work it through and prepare it and bring it in to the rest of us who are on the Board and say, 'looks like this is what your spending will be this year' and so as I've been on the Mutual Board, that's all I saw. When I look at the budget, what we're going to do is that is a plan and we're going to spend within that limit and we're going to talk about it if any of those limits move but I was never concerned with that as being a contract with UAC that if the administrator of the funds can save some money, he can keep it. That just doesn't make any sense. I feel kind of derelict in my duty because I kind of pride myself on knowing what's going on.

Herbert: You say the administrator; you're talking about UAC?

Olsen: I am. I am, talking about UAC because you see that puts Brent, if that's the interpretation, that was a contract, you just come in and tell us how much you want for the year and your cushion is built in both by your management of the Mutual's funds and by your projection of what our expenses are, it just isn't real and what you're talking about is two negotiating contract parties.

Herbert: What has seemed to happen though is that we're brought in a budget based on here is what the expenses have been, here's what we think it is going to be this year and there is a number. The question to me is whether there is a requirement to, if we didn't spend as much as we/you budgeted for, was there money going to be given back to the Insurance Mutual and if we spend more, was there going to be given back to UAC or are they going to have to come and get a budget adjustment for that expense?

Gardner: Gary, there is nothing in that Agreement that talks about a reimbursement or refund until the 2000 agreement was signed.

Sundberg: Well, it's silent about it, that's true. The old agreement is silent about reimbursement. However, I agree with Tex, this has never been an arms length transaction in my opinion because we have always been told that this administrative budget were going to be actual expenses. We have asked at times whether there was any surplus and we have never been told there was a surplus. And as an Audit Committee when we got...

Herbert: 'We' meaning the Insurance Mutual?

Sundberg: the Insurance Mutual Board. When we got these documents from our auditor, independent auditor, in May, we were frankly shocked that there was a \$457,000 surplus that had accumulated in the UAC's books. These are both public entities and I don't for the life of me see why UAC should get a profit off the Mutual's funds.

Gardner: UAC is not a public entity, Kent.

Sundberg: Well, UAC Insurance Mutual is a public entity and public funds and UAC should not be making a profit. We have never been told they are making a profit until we got these reports. I'm also concerned now that we're seeing these new documents come out. We have never approved increases in these budgetary line items. All of a sudden that 2000 surplus of revenues over expenses that was \$94,000 has shrunk to \$9,000 and the 2001 excess over revenues over expenses was \$54,000 is now a minus \$40,000. That does not commend much confidence for UAC in my mind. I think the money should be returned, absolutely think that as of Trustees of this Board we have fiduciary responsibility to insist the funds be returned and have a whole audit of that fund.

Herbert: Sheriff.

Phillips: This term of 'contract' boy, this is totally new to me as it relates to this operational budget that has been presented every year. Never in my mind, course I'm a little like Tex down there, maybe a little embarrassed that year after year that there hasn't never been a question from me as to what happened to any surpluses that were left over. I certainly have never been under any impression that that was just an overall contract amount of money and that at the end of the year the contractor either loses or makes a profit. What happened if that's a contract, in my mind, what would happen if for some reason we run 20, 30 or 50,000 thousand over? Does the contractor dig up the money to balance the books?

Herbert: Again, I think we're talking about the idea of a contract; it's probably the terms of the contract. If the terms of the contract were in fact, it is what it is, over and under is not an issue then you're right, they would have... Mr. Wilson.

Wilson: I'm not a member of the Board but I just direct your attention to the agreement itself, which refers to all expenses. It seems to me in following Commissioner Olsen's line of thinking that makes some sense in that there is a management fee built in there and I'm referring to paragraph three, *Mutual shall pay UAC for all services rendered under this agreement in the total annual sum which shall consist of all expenses*, and I think 'expenses' the term...meaning that which has been expended.

Sundberg: True.

Herbert: Recognize Commissioner McConkie, who has just joined us from Davis County. Commissioner Page joined us here a little earlier too, from Davis County.

Jackson: Commissioner Herbert, I have one question. Are all the member of UAC, members of the Mutual?

Several: No.

Jackson: They are not. Then how can you say, 'we are they'?

Herbert: I think it's a generalization, 25 of the 29 are members.

Sundberg: But LeRay's got a point, we are separate entities.

Herbert: I think everybody knows that. Gene.

Roundy: I believe I heard Brent say that there are quite, substantial monies in that fund that probably belong to UAC because of repair and problems, is that what it was and because of reserves for automobiles or other reserve funds. I also wonder if Brent was working under the assumption initially that he didn't have to keep a close accounting that maybe there is lots of other expenses out there that you could have incurred that he didn't keep track of.

Gardner: That is obviously true. Again, the reason the Board of Trustees for the Mutual set it up as they did was because they did not want to require the very kind of detailed accounting that we've had to go through to just to get to where we are. Now if that's the desire, and obviously with the change in the agreement in 2000, we're going to have to do that because we're going to have to count for whatever the expenditures are either above or below the \$7500 figure. But the initial Board of Trustees and the Committee that formed the Mutual in the beginning did not want to require that, specifically that was the reason why they set it up as they did. So, if you're going to go back and require refunds from '92 through 2002 it would seem unfair to UAC that it not be able to go back, and according to this agreement, produce all of its expenses. I don't think you can do that because there was no accounting system set up to do it and it was not required. I think the accountants from UAC will verify that. We were not required to do that.

Mackay: Yeah, I was there at first and it was my impression when it started up that it was a fee.

Sundberg: Well, why does it refer to actual expenses then as Dave Wilson just mentioned. I mean, to me the contract says that it will be for actual expenses you should have been tracking actual expense and now to go back and start moving things around, I don't think that is right.

Herbert: Where does it say that?

Several: Paragraph three.

Herbert: The agreement they've got for us, as I read it it says, UACIM shall pay UAC for all services rendered under this agreement...

Sundberg: ...of all expenses associated...

Herbert: But you said 'actual expense'.

Sundberg: Well, eliminate that...expenses.

Mackay: We haven't accounted for all expenses either. Jean cuts the checks and by then all...checks benefit all entities.

Sundberg: But on the same token, we haven't been charging UAC for the expenses of Sonya and Shawn every time they do something for UAC, so I mean, you can go tit-for-tat that's ridiculous. This thing should be expenses, that's what it says, and that's what we've always been under the impression it was.

Herbert: I guess the question for me, Kent, is how much detail. It appears to me whether it was right or wrong we have not had an accounting for every penny and for every expense that either side could charge the other, again, for whatever reason, maybe it should have been but it doesn't seem like that has happened.

Olsen: But one reason that excused that was this, we weren't talking about expenses in the beginning of the setup of the company, UAC was formed to assist the counties and if they can come up with plans that will assist one or more or a group of counties then the staff here works on it. We compensate UAC with their expenses, every county is assessed and we don't have UAC account for assisting Salt Lake County for example with legislation we don't have an account for assisting Sevier County with legislation or if we have an unusual problem we don't understand and we don't have the experience, UAC helps us. That's the very purpose of the organization.

Gardner: But they're not asking for a refund at the end of the year. If they were we would probably have to do that.

Olsen: It isn't a refund. They are funds that have accumulated and are...

Herbert: But what's the difference, Tex, if you pay your dues as Sevier County and you say at the end of the year, 'UAC didn't do anything for me, I want a refund on part of my dues'.

Olsen: That is the very point. The point is this, now that we've come to a point that there is an accumulation of conflicts and the argument is advanced that we can justify that accumulation by past papers and that gets us into this next phase where what is the purpose of UAC in the first place.

Rawlings: Gary, one of the concepts I'm struggling with is I finish reading that paragraph three, is it says, as *determined annual and approved by the UAC Board of Directors and the UACIM Board of Directors*, so that should have been an annual approval and I understand it was, why are we going clear back to 1992 on those things?

Herbert: Well, I think we're trying to clear up misunderstandings and make sure what we're doing.

Sundberg: Because, again, every year we approve an administrative budget that was allegedly the expenses that were going to be incurred.

Phillips: Not a contract.

Sundberg: And there wasn't contemplation that UAC was going to make a profit off the Insurance Mutual. We were always told that in fact they were expenses.

Herbert: We're not sure if UAC made a profit are we?

Sundberg: Yeah, we are.

Herbert: How do we know that if UAC has the reports from the accountant if they have not expensed all the expenses that they would be entitled to during that period of time?

Sundberg: Because UAC is supposed to say so Gary. I have never seen these documents until our auditor came up with them and presented them to the Audit Committee and I applaud her that she did that. We appreciate it as an Audit Committee.

Lemon: I wonder if it would be beneficial if we, the problem is we see one number of \$457,000 that gets us all, we're concerned about that. I wonder if it would be beneficial, maybe not, Brent had some explanations as to why this figure accumulated. I wonder if it would be beneficial, so that we understand it better, if we said, okay, this is what happened in '92, this is what happened in '93, apparently this is all part of the public record or they're part of the UAC audit, right, this is not hard information to find. I just think it is a concern, certainly as we looked at it from the Audit Committee and said, 'gosh, it looks like there's \$457,000 there'. We need to figure out why that happened and what the reason for that is. My understanding is that all of that accumulated in the later years. I don't know if that is true or not. I would like to know that. I mean, if there was no accumulation or very little accumulation in the early years I just think it would help us to deal with it. I don't know how everybody else feels but I'd like to see what happened in '92, '93, '94 each year and see how we got to that number.

Sundberg: Well, that's why we've recommended an audit.

Herbert: Sonya

White: For my clarification, as Brent was going through these reconciliation, I thought I had heard him say that most of these were actual figures and if I may, ever since I started, back in 1992, Brent requested that I go through Robison Hill's actual statement so that he would be able to prepare the budget to present to the UACIM Board. So I would take the actual figure numbers and I have an accounting of those, if the Board would like to see.

Herbert: So you have the detail on the expense side is what you're saying?

White: I do. So I'm hearing conflicting, these aren't actual, these are actual numbers, I...

Herbert: Well, the Audit Committee just didn't see what the basis for them were. You probably saw them but the Audit Committee didn't, so that was the question, I think there. But it is good to know there is some basis for it and I've always expected there was and that it wouldn't be something that someone pulled out of the sky. The question, I

guess, is if there seems to be a sense, at least from some of you, that we need to go back to '92 to reconcile expenses. We have an agreement with the Insurance Mutual to provide services. Some seem to believe that that was not a hard fast number and should be only expenses charged and if there is any excess monies that should be refunded back to the Insurance Mutual as opposed to just accumulating in a UAC fund. Again, there may be a legal issue there, I think, stipulation is that the contract is, as Kent Sundberg has said, silent on that issue. I don't know what the legalese means when it comes down to being silent on an issue whether it's required or not required. But I don't think, I don't see anything sinister here, I think it's just a matter of cleaning up our accounting and making sure that we have separation between the two entities as is appropriate, legal wise as well as accounting wise, and then make sure we move ahead with a better understanding of each entities responsibilities. And maybe the only way we can bring comfort to this, because you are right, there is a big number out there that was a surprise for all of us, and that is can we go back, is it possible to go back and somehow reconcile that number, see if UAC has additional expenses, I don't know how good everyone's memory is after all this time but...

Lemon: My concern is that if we just say, okay, I mean if we, the Mutual Board of Trustees, and I realize it's challenging because many of us sit on both Boards and we're trying to do what we think is right for both and I think we realize the relationship, but I think if we were to say, well, we've just accepted UAC's explanation and agreed to just forget about it, the fact of the matter is there will always be an underlying issue there that needs to be resolved. I just think, it would be better for us to say, okay, let's look at it and Sonya has the numbers, let's look at it, let's give Brent an opportunity to explain what expenses that were not charged...

Gardner: I'm not sure Sonya has the correct numbers because there are adjustments to those, for example, the statement that you have that has \$450,000 does not show McLaren's building expenses. I think that is what she has on that sheet so I'm not sure she has all of the expenses.

Lemon: But that is what I'm saying Brent. We ought to get those numbers and give you or the accountants, UAC's accountants, an opportunity to say, this has been omitted and see what we can reconcile.

Herbert: What we are saying is that we need some form of an audit that goes back to '92 and review what has happened, is that what you're saying?

Lemon: I think that would be beneficial.

Herbert: Who should conduct that? How should that be conducted?

Sundberg: An audit?

Herbert: Yeah, I mean, who do you want to have do the audit?

Sundberg: Larson and Company.

Lemon: Couldn't we have both of the auditors work at it? Both the Mutual's auditors and UAC auditors? They are both independent, we give them a charge.

Herbert: I don't know what correct accounting procedures would be for an audit to have both accountants working together. I don't have a problem, personally. Maybe you guys can speak whether we can go back and have, I expect whoever is responsible for the audit is going to have to communicate with the other accountants anyway. Somebody is going to have to be responsible for the outcome.

Olsen: Well, I think since we are talking about a Mutual audit, the Mutual auditors just ought to be authorized to make the audit and come back with a report. Give UAC a copy of the report and whatever explanation...

Herbert: Would you like to make that as a motion, Mr., Commissioner Olsen?

Olsen: I would make that in a form of a motion.

Herbert: Motion is, that we have the UACIM, Larson and Company, accounting firm do an audit of what has been presented here, back to 1992, that they work in conjunction with the UAC auditors of Robison Hill...

Olsen: That wasn't part of the motion because I thought UAC auditors would do what ever they thought was necessary.

Herbert: I misspoke your motion. So they just do their audit.

Phillips: I second that motion.

McConkie: How is that different than the audit you just asked for? How is that audit going to be different from the audit Larson just did?

Lemon: They will be focusing on this report, that is part of the...

McConkie: In what specific way?

Lemon: To determine how it became what it did.

Sundberg: They are going to audit that Insurance Mutual Transaction Fund on UAC's books.

Herbert: Are they going to be coming in and talking to Brent, Sonya, Shawn and others to get the information? It seems some of the concern seems to be at least in the current discussion that is that they feel like they were not talked to to get answers to questions that may...this year.

Lemon: In my mind, I would think that they would need to talk to Brent because Brent has indicated that there are things on there that are not included that should have been included. We need to know what those are. When we get a report we want to know what that means.

Douglas: From an independent auditors standpoint, I would have to understand both sides, I'm sure I'd have to talk to Robison Hill to see how they have accounted for things, there are probably alot of things we're unaware of, it be percentages, it would have to be everyone involved.

Sundberg: Certainly they would have to consult with them but that is different than them doing the audit together and that is not part of it.

Herbert: Other discussion on the motion?

McConkie: So you are saying that the Insurance Mutual audit be performed by Larson will also be taking a look at the UAC fund?

Olsen: That's right.

McConkie: How can this body authorize, put your fiduciary hat into perspective, how can you authorize an audit of UAC? You don't have that authority.

Lemon: The only thing we are asking for then is for the outside auditor to the Mutual to audit the Insurance Mutual Transaction Fund that is part of UAC's budget. Not all of UAC's budget only that fund.

Sundberg: That is extensively the administrative budget that has been given to us every year, that's what it is.

McConkie: So we're not stepping into an area that someone else....

Olsen: We really aren't we're just tracing our...that we're charged.

Douglas: Also, the Insurance Mutual is governed by the State and there is a possibility the State may come in and do that if they don't have an audit...

Herbert: There is a motion on the floor is there discussion on the motion?

Rawlings: Just one other comment, would it make sense to consider using the UAC auditors to eliminate some cost and duplication of effort that has already taken place, they are independent.

Herbert: I throw it open to the Board to speak to the issue.

Sundberg: Larson and Company has already said they are going to have to talk them and that will take care of that.

Herbert: And I think one of them needs to be responsible and that's Larson and Company so they will do what they need to do to do the audit, talk to whoever they need to and we'll encourage them to communicate, certainly with Brent, UAC and their staff people here.

McConkie: Is that an answer, Steve? If the question is asked by an Auditor, auditor mentality that I don't have. Did that answer the question?

Rawlings: It does.

Herbert: Any other discussion on the motion? Hearing none, all those in favor of the motion say Aye.

Everyone: Aye

Herbert: Opposed say 'no'. Motion carried unanimously. Tex, as Chairman of the Audit Committee, any other issues that need to be brought up at this time?

Olsen: Well, our primary recommendation is, that we started reviewing our practice and change our practice so we don't get back into this problem again.

Herbert: For those of you that were at the UAC Board of Directors meeting, part of what was discussed was that we were going to have this meeting today, take some action as an Insurance Mutual Board to see what we could do to reconcile the issue and then we will come back, the Association of Counties Board of Directors with a recommendation probably as far as how we can...lineate the lines of responsibility, the process and the format and the agreement we have with each other so that we don't have a problem and that there is not some kind of suspicion that something is going wrong. Again, I think that is part of the fiduciary responsibility that we've been talking about. Commissioner...

Cox: Under the situation, the way I see this going, Insurance Mutual is probably getting large enough that it can handle most of its own transactions and become more of an entity of its own. If that is where we're headed with this then I think you need to look at both Boards because no members should serve on both Boards.

Herbert: That is an interesting concept; I'm prepared to resign.

Guzman: I don't think that resignation is necessary but one thing we have not done and has not been done in the past, that I have discussed with the Litigation Committee, as legal council you should have been advised from the inception that anybody that services on both Boards should declare that as a conflict under Utah law and then after you declare you conflict you proceed.

Herbert: This is a legitimate issue with the Board.

Guzman: Also the Bylaws require one member, at least one member to be a member of the UAC Board, so it can happen, that can happen.

Herbert: It's hard and again, maybe we've got too many of us that are on both Boards.

Lemon: So we declare a conflict in both Boards?

Guzman: I would just say that, for sure on the Mutual Board, as a public entity, you declare a conflict just as you do in your commission meetings or wherever when that's required and then...

Herbert: I think we're going to have to sit down and have some tough discussion, do we just hire our own employees, UAC does it's own thing, Insurance Mutual does it's own thing with its own employees, that may be more costly but maybe more appropriate. Maybe we'll put it out to an RFP and try to find someone else to provide the services, see who wants to bid, if UAC wants to bid, if somebody else wants to bid that's another approach we can take.

McConkie: I think we need to keep the focus, Gary, we're not competing entities, we are actually serving the same customers and we have the same vested interest for the success of the product to all those same customers. Let's don't be splitting the baby in half or think we're in competition because we're not. We're still the same set of folks serving the same set of folks.

Herbert: Well said. Okay, we'll have that debate another day, though.

Cox: That's one of the things, where I was trying to go with that is that when this thing started, it was UAC that started it all. So UAC Mutual and being formed and bought in as an insurance company, we and they is the same people. I would prefer to try to look at this situation in that same light as we move forward and any conflicts or differences we have here are resolvable. I think through the audit report, there are things that I was looking at in 1992, assumptions were probably made on UAC's side of the house through an audit report might not be appropriate today and I think those assumptions of certain things that have gone on now, need to be evaluated as we go through all this. Maybe there needs to be, at this state of time, a more definitive of audit procedures of expenses rather than an assumption that was made in 1992.

Herbert: I agree with you, LaVar, and I think we understand the significant evolution since 1992, we've grown and the Insurance Mutual has become very...tape ended...situation and whatever we evolved to certainly correct because we don't want to continue to go down the wrong path no matter how well intentioned that was. Look forward to getting the audit back to us, how long do you think that will take?

Douglas: It would take, if we have access to documents that far long ago, are they in storage...

Herbert: Is it going to take a month?

Douglas: I would say a month.

Herbert: We've got a premium-setting meeting.

Guzman: I think it's the 26th, is that a Monday?

Herbert: Our meeting in September is the 19, can you have it ready for us for the 19 of September, should we set that as a date, does that work for everybody? Can everybody be here at 9:00? August 26 is our premium-setting meeting at 9:00 and our next meeting which we will have the audit, September 19 at 9 a.m., both of those meetings will be here.

Cox: 26 is commission meeting.

Guzman: We might even have to move that, that is a tentative date because our meeting is dependant on when we can get the numbers back from the brokers, we're hoping to get them back by then but if you need later in the week that would be good for us too, that doesn't conflict with commission dates.

Herbert: Can we go on a Thursday, August 29 for premium setting?

Roundy: I will be late.

McConkie: I will be late.

Sundberg: Can we just ask about some of these other recommendation we made? Ask that the Board consider the internal control changes we mentioned that were suggested by our Auditor and the recommendation that was passed out.

Guzman: Kent, on one, those were approved by the Board at the last Board meeting, 1a and b.

Sundberg: How about number three, that hasn't been observed, we as a Board ask UAC to start providing us detailed monthly reports of the administrative budget. In fact I would make that motion.

Herbert: Motion is to adopt item number three under the recommendations. Is that your motion?

Sundberg: From our Board it needs to be a request that UAC provide the detailed monthly report.

Baker: I second that.

Herbert: There is a motion, second, Steve, is there a discussion? Hearing none, all those in favor say, aye.

Everyone: Aye.

Herbert: Anyone opposed? So moved.

McConkie: Haven't we already adopted; we've got signatures here that that has already been done, January 31, 1992.

Herbert: What is the difference there, Kent?

Sundberg: We've never gotten monthly reports.

White: They are looking at the Audit Committee recommendation sheet not the agreement.

McConkie: Oh.

Herbert: Just what is the difference between what we've got in place now as far as, we haven't ever gotten the expense side from UAC is that the difference?

Sundberg: Never. Finally number four I would make a motion that we approve the recommendation number four that as a Board we look at the line items listed in the administrative budget and shift many or most of those to our own budget as a Mutual.

Wall: You thinking of doing that for next year? This year?

Sundberg: This year.

Herbert: Accept number four on the recommendations, that several line items be eliminated with the corresponding amounts being transferred to UACIM, how can we do that if we don't know what the line items are?

Sundberg: That's what I'm suggesting, that the Board look at that and determine what line items should be shifted from the administrative budget.

Herbert: After we get the audit back, why don't we have that as an agenda item?

Sundberg: The problem is we're going to look at the administrative budget for 2003 on August 29. I think, Brent needs some direction as to what that administrative budget should include.

Herbert: So when do you want us to consider which line items are eliminated? I think that is a whole discussion in itself. I'm not opposed to considering that, I think that's a great idea but when do we do that.

Sundberg: Yeah, but that is going to be tough on Brent to come up with an administrative budget.

Herbert: Are you recommending that we have a special meeting? The recommendation here...

Sundberg: My recommendation is that only rent related and salary related items be in the administrative budget. If you want me to make that motion I will. That's our recommendation as Audit Committee.

Herbert: I think you need to be specific.

Sundberg: Okay, I'll be specific. That's my motion. That the administration budget, that UAC Insurance Mutual administration budget that we receive from UAC include only rent related items and salary related items and that everything else such as postage and all these other things that they will be tracked by the Mutual, taken out of the administrative budget and included in the UAC Insurance Mutual budget.

Herbert: There is a motion on the floor is there a second?

Wall: Second.

Herbert: Second, Steve, discussion?

McConkie: I'm not sure I understand, I'd like somebody to explain it to me.

Baker: Does that change the expending of the funds? Does that change who writes the checks that expend the funds?

Herbert: So what I understand the motion to be, is that what we have hired UAC to provide for us in the past, services, we're saying don't worry about that, we'll take care of that stuff ourselves other than salary for people and rent. If we have an expense if we even want to have an extra meeting, if we mail out something, if we have additional things that have been heretofore listed, that will be in our budget, Insurance Mutual's budget, tracked there separately specifically as opposed to having UAC management.

Olsen: Our problem is this, UAC has been viewing the budget as a contract and not as a budget. We've just got to clarify that, so I think if we approve the motion that Kent has just made, we've clarified it and we've said that the Mutual should be responsible for its own expenses but then if we go further, the budget information on how much we're going to be billed on rent and salaries will just be budget information and is not a contract so if one of our employees is terminated, UAC gets the benefit, that type of thing, that's what got us into this trouble. So what it would be then, is just an upfront, it would not be a contract that the budget is...

Herbert: I think we need to resolve sometime to everybody's satisfaction, what kind of an arrangement we have with UAC.

Olsen: That is the very thing we need to decide before a new budget is submitted to the Mutual Board. Otherwise, we have a continuation of the same problem.

Herbert: What happens if we eliminate the line items except for salary and rent, I don't think rent is going to change or I don't know if rent is the right term, I think, supposedly we have an ownership.

Sundberg, Lemon: Building and personnel.

Olsen: That isn't a contract that is billing the Mutual.

Herbert: The question is to me, what if Sonya finds another great job opportunity and leaves us, we'll all cry but we'll also come back and we're going to say, well she wasn't here for a month so we want her salary refunded back to the Insurance Mutual because we had a gap there where her expense wasn't there.

Olsen: That's right.

Phillips: Why wouldn't we want it?

Herbert: No, that's the question, is that how we do it or you going to get to the point where we say it is a contract and they just provide us services, they manage their own stuff. That's what we're trying to get away from this little detail stuff that causes the grief.

Olsen: No, what has caused us the grief is to have someone interpret it as a contract. So that is what we need to do. The Mutual needs to be responsible for its expenses, it needs to be responsible for any expense it incurred with UAC but when a budget is submitted to us, that is not next year's contract.

Herbert: Well, I guess then that UAC will have to decide if they want to accept the contract. It's a two-way thing. We use the term contract, they're all contracts, the question is what are the terms of the contract. Do the terms require refunding if you don't expense all the money, is there going to be an accounting or is it just a lump sum we're going to pay you for services, end of discussion. I think that is going to have to be a decision made by this Board and the UAC Board only as far as what is the relationship that we want to have between those two entities.

Cox: That is the way I look at it Gary. I have some problems with the motion because to me the motion is taking the baby and going to split it in half. How are you going to take care of the receptionist answering phone calls to direct traffic to the Mutual people and pencils and paper and copy machine. How you going to keep track of all that, it takes such detail that I don't know.

Herbert: That's the debate you need to have. There is pros and cons on it. You need to have that debate and I guess time isn't our friend here because you got a budget coming up. I'm concerned about a bigger thing, the concept of what is the relationship. It may be that we need a separate phone come in here and if they call UAC and they say I want to talk to the Insurance Mutual Director they are going to say that's not this number, call this number and we'll have a secretary that's been hired to answer the phone for the Insurance Mutual. Even though we're housed in the same building.

Cox: That's what I'm saying. It looks to me like that's where we're headed.

Gardner: You've done everything but that.

Baker: We ought to have some convenience here and what you've described sounds kind of inconvenient. What I would think is that this is really the contact. This is the issue of the contract and somebody ought to disburse it down and decide what does the Mutual want and put it down in writing or have UAC say, this is what we are willing to do and then define what is going to happen. I'm interested in five and four speaks to it regarding everything. In that relation the contract could easily say, here's the salary but we'll only reimburse you what you pay out.

Herbert: As far as the contract, we certainly can identify what we expect in that relationship, I agree. I think we're speaking against the motion.

Sundberg: I'm willing to withdraw the motion but I just want the Board to understand we've got to decide on four or five either at that meeting on the 29 or before.

Herbert: You're welcome to withdraw the motion if the second will allow you.

Olsen: I have a conflict on the 29, I won't be there, can I send proxy?

Herbert: We probably need to have you there Tex as the Chairman of the Audit Committee and you've kind of been the spokesperson here today on this issue. This is really a discussion that is going to take place over a period of time because there are two entities and we're going to have to go back to the UAC Board of Directors and discuss with them too so that both parties agree. What if we did it Wednesday morning?

Baker: Employee golf tournament.

Back and forth, back and forth on dates and times. All decided, 1:00 p.m. on Wednesday, August 28.

Herbert: The 28 at 1:00 here. The motion has been withdrawn, does the second agree to withdraw?

Wall: Nod.

Herbert: The second agreed to withdraw. We will have discussion on items four and five at the Insurance Mutual meeting Wednesday at 1:00 the 28.

Cox: What did you do with the minutes?

Herbert: I haven't done anything.

White: The minutes are not done.

Herbert: Set date and time for closed meeting to discuss pending or reasonable imminent litigation.

Sundberg: We do not need that.

Herbert: Don't need that, hotdog. Action on litigation matters, don't need that?

Sundberg: Motion to strike both of those.

McConkie: Second.

Herbert: Motion to strike set time and action. Second by Commissioner McConkie, discussion? All in favor say, 'aye'.

Everyone: Aye.

Herbert: Set date and time for closed meeting to discuss character, professional competence, physical/mental health of an individual.

Sundberg: I make the motion that we set that for right now.

Blackwell: Second.

Herbert: This will only be Board members. All those in favor of the motion say, 'aye'.

Everyone: Aye.

Herbert: Opposed? So ordered, we'll excuse everyone but the Board.

Schappert: Could I ask a question, Gary?

Herbert: Yes.

Schappert: Is talk of the downstairs going to be addressed?

Herbert: No.

Tape off during closed session.

McConkie: Out of closed session, Tex made the motion, Lynn seconded it, it was unanimous and we're to other business. Hearing no other business, entertain a motion to adjourn.

Someone: So move.

Someone: Second

McConkie: All in favor?

Everyone: Aye.

RECOMMENDATIONS OF UAC INSURANCE MUTUAL
AUDIT COMMITTEE

The UAC Insurance Mutual Committee met on May 29, 2002 with UACIM's contract actuary and accountant. Discussions were held and recommendations were made, particularly by the contract accountant, concerning internal financial controls and other budgetary matters. Based on those recommendations, the audit committee makes the following recommendations:

1. Internal control changes.
 - a. Shawn Guzman be authorized to sign claims checks along with Korby Siggard (replacing Brent Gardner's signature.)
 - b. Shawn Guzman be one of the four individuals authorized to sign administrative expense checks.
2. That an audit be conducted by Larson & Company of the "Insurance Mutual Transaction Fund" on UAC's books.
3. That UAC provide UACIM monthly reports of the UACIM Administrative Budget.
4. That several line items be eliminated from the UACIM Administrative Budget with the corresponding amounts for those line items being transferred to the UACIM budget. (Leaving primarily only rent and salary related line items in the UACIM Administrative Budget.)
5. That there be a more distinct clarification of the relationship between UAC and UACIM.

UAC/UACIM Year End Reconciliation – 2000

	2000 Budget	2000 Actual	Over/Under
Management Fee	\$447,686	\$447,686	
Expenses			
Accounting/Audit	\$ 550	\$ 2,105	(1,555)
Administrative Fee	5,000	10,000	(5,000)
Auto Expense	6,000	5,018	982
Auto Reserve	14,000	14,000	0
Board Expense	8,000	8,900	(900)
Copying	1,200	1,538	(338)
Data Processing	3,500	4,230	(730)
Dues & Subscriptions	1,250	1,621	(371)
Staff Salaries	164,862	146,512	18,350
FICA	11,000	11,349	(349)
Retirement	35,324	32,180	3,144
Medical Insurance	26,900	23,676	3,224
Loss Control Training	10,700	12,102	(1,402)
Newsletter	1,000	0	1,000
Office Equipment	5,000	7,125	(2,125)
Debt Service	120,000	92,833	27,167
Bldg. O& M	0	17,306	(17,306)
Bldg. Depreciation	0	17,260	(17260)
Bldg. Debt Reserve	0	5,634	(5634)
Office Supplies	4,000	2,116	1,884
Other Insurance	5,000	1,372	3,628
Postage	4,000	2,716	1,284
Printing	1,000	307	693
Telephone	5,500	4,092	1,408
Technical Assistance	400	0	400
Staff Expense	13,500	14,218	(718)
Convention & Meetings	0	5,000	(5,000)
Total Expenses	\$447,686	\$438,210	\$9,476

UAC/UACIM Year End Reconciliation – 2001

	2001 Budget	2001 Actual	Over/Under
Administrative Fee	\$446,815	\$446,815	
Expenses Paid			
Accounting/Audit	\$ 550	\$1,705	(1,155)
Administrative Fee	5,000	15,000	(10,000)
Auto Expense	7,500	7,344	156
Auto Reserve	14,000	14,000	0
Board Expense	7,000	11,542	(4,542)
Copying	1,200	1,303	103
Data Processing	3,500	5,113	(1,613)
Dues & Subscriptions	1,250	2,141	(891)
FICA	11,400	12,627	(1,227)
Loss Control Training	14,000	13,098	902
Medical Insurance	29,400	33,409	(4,009)
Newsletter	1,000	834	166
Office Equipment	5,000	5287	(287)
Debt Service	85,128	88,997	(3869)
Building O & M	9,393	19,439	(10,046)
Debt Service Reserve	17,260	17,260	0
Building Depreciation	5,634	5,634	0
Office Supplies	4,000	3,004	996
Other Insurance	5,000	5154	(154)
Postage	4,000	2,927	1,073
Printing	1,000	1,304	(304)
Retirement	34,150	29,307	4,843
Staff Expense	15,000	18,657	(3,657)
Technical Assistance	400	900	(500)
Telephone	5,500	5,579	(79)
Convention & Meetings	0	5,164	(5,164)
Staff Salaries	159,550	160,334	(784)
Totals	\$446,815	\$487,063	(40,248)

UAC Insurance Mutual ADMINISTRATIVE BUDGET

REVENUES COLLECTED		1992 Actual	1993 Budget	1993 Actual	1994 Budget	1994 Actual	1995 Budget	1995 Actual	1996 Budget	1996 Actual	1997 Budget	1997 Actual	1998 Budget	1998 Actual	1999 Budget	1999 Actual	2000 Budget	2000 Actual	2001 Budget	2001 Actual	2002 Budget
Beginning Balance																					
Management Fees		189,858	225,000	225,000	225,000	225,000	260,000	260,000	260,000	260,000	260,000	267,500	280,000	280,000	358,610	358,610	447,686	447,686	446,815	446,815	494,804
Employee Training				3,210		11,067		19,073		19,241		21,131		1,635		19,181		24,229		20,010	
Interest				6,717										20,975							
Total Revenue		189,858	225,000	234,927	225,000	236,067	260,000	279,073	260,000	279,241	260,000	288,631	296,450	302,610	358,610	377,791	447,686	471,915	446,815	466,825	494,804
EXPENSES PAID																					
Accounting/Audit				1,458	1,500	330	350	330	1,500	360	1,500	589	550	590	550	664	550	2,105	550	1,705	750
Administrative Fees				10,000	10,000	10,000	5,000	13,559	5,000	21,764	5,000	6,682	5,000	13,212	5,000	10,000	5,000	10,000	5,000	15,000	
Auto Expenses		1,174		3,006	3,000	3,611	3,000	3,262	6,000	3,988	6,104	6,104	6,000	2,472	6,000	4,593	6,000	5,018	7,500	7,344	9,500
Auto Reserve				6,000	6,000	6,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	14,000	14,000	14,000	14,000	15,120
Board Expenses		943		2,665	5,000	4,224	10,000	8,930	10,000	9,932	10,000	6,641	8,550	6,951	8,000	5,223	8,000	8,900	7,000	15,250	15,000
Consulting Fees					15,000		2,000		2,000		2,000										
Copying		1,340		1,983		1,930	2,500	1,815	2,500	1,519	2,500	1,243	600	1,563	1,200	2,334	1,200	1,538	1,200	1,303	1,500
Data Processing															2,000	3,166	3,500	4,230	3,500	5,113	4,800
Dues, Subscriptions		1,319		1,027	1,000	711	1,000	589	1,000	935	1,000	919	1,500	1,039	1,250	3,244	1,250	1,621	1,250	2,142	1,500
FICA		1,930		4,273	8,000	5,209	9,200	6,429	9,200	9,140	9,200	8,528	9,400	10,073	11,000	11,666	11,000	11,349	11,400	12,627	14,304
Legal				650	1,000	1,152								139							
Loss Control/Training				11,984	15,000	1,536	10,700	1,276	10,700	4,779	10,700	1,750	10,700	9,307	10,700	7,667	10,700	12,102	14,000	13,098	14,000
Medical Insurance		4,070		11,191	13,400	12,276	17,000	14,056	17,000	22,294	17,000	17,268	22,500	22,566	24,870	25,905	26,900	23,676	29,400	33,409	32,340
Miscellaneous		1,746		4,397	17,000																
Newsletter						424	1,500	835	1,500	1,239	1,500	418	1,000	3,302	1,000	61,245	1,000	12,482	5,000	4,070	5,000
Office Equipment		29,341		6,362	10,000	2,980	18,300	5,809	6,000	24,490	5,000	13,663	5,000	3,302	5,000		120,000				
Office Rent		6,260		13,130	15,000	15,082	17,500	16,819	25,000	18,173	24,000	19,269	42,000	23,132	60,300	33,512		56,517	85,128	52,399	85,679
Debt Service																10,051		10,657	9,393	11,623	17,260
Operating Expense																					
Reserve																					
Depreciation																					
Office Supplies		275		3,708	2,500	2,521	1,500	1,400	2,000	2,923	2,300	2,416	2,500	3,954	4,000	2,458	4,000	2,116	4,000	3,004	2,000
Other Insurance				665	700	952	750	1,516	800	1,729	800	3,607	3,200	4,552	5,000	3,216	5,000	1,372	5,000	1,446	1,500
Postage				2,274	2,500	2,728	3,000	3,772	3,000	4,229	3,500	3,266	3,000	3,475	4,000	3,476	4,000	2,716	4,000	2,927	3,000
Printing					5,000	3,136	1,500	2,319	1,500	1,162	1,000	1,346	1,000	3,330	1,000	1,903	1,000	307	1,000	1,304	1,000
Public Relations						200				84						198				70	
Retirement		4,138		9,835	11,000	11,704	23,200	14,468	23,200	24,062	24,000	17,671	26,950	25,800	32,000	32,504	35,324	32,180	34,150	29,307	40,580
Staff Expense		3,414		3,737	6,500	6,079	5,500	7,405	6,500	9,625	7,200	10,290	10,000	17,754	13,500	13,703	13,500	14,218	15,000	18,657	17,500
Staff Salaries		45,062		58,115	72,600	61,832	113,700	83,264	111,700	115,810	113,400	108,949	123,600	131,343	146,340	150,774	164,862	146,512	159,550	160,334	182,137
Technical Assistance				208	300	76		1,081	400	334	400	108	400	4,267	400		400		400	900	400
Telephone		796		2,986	3,000	3,213	2,800	3,750	3,500	3,428	3,000	3,383	3,000	5,433	5,500	4,776	5,500	4,092	5,500	5,579	5,500
Total Expenses		101,808	225,000	159,656	225,000	157,905	260,000	202,685	260,000	291,999	260,000	244,108	296,450	304,254	358,610	402,278	447,686	377,710	446,815	412,610	494,804
Balance Transfer											16,450										
ENDING BALANCE		88,050	0	75,271	0	78,162	0	76,388	0	-12,759	0	44,523	0	-1,643	0	-24,487	0	94,206	0	54,216	0
TOTAL EACH YEAR		88,050.00		163,321.61		241,484.10		317,871.69		305,113.14		333,186.01		331,542.78		307,056.03		401,261.80		455,477.49	
UACIM FUND BALANCE (UAC)		88,051.46		164,263.35		244,625.84		321,013.43		308,254.88		332,777.75		351,134.52		328,147.98		405,611.13		457,972.40	

**UTAH ASSOCIATION OF COUNTIES
STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND
FOR THE ONE MONTH AND TWELVE MONTHS ENDED DECEMBER 31, 2001**

	CURRENT PERIOD AMOUNT	CURRENT PERIOD RATIO	YEAR TO DATE AMOUNT	YEAR TO DATE RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$ 111,703.75	99.26	\$ 446,815.00	95.71
3150 INTEREST INCOME	831.26	.74	20,010.23	4.29
TOTAL REVENUE COLLECTED	112,535.01	100.00	466,825.23	100.00
EXPENSES PAID				
4030 STAFF SALARIES	\$ 14,005.18	12.45	160,333.70	34.35
4040 TRAINING AND ASSISTANCE	595.00	.53	13,097.84	2.81
4070 MANAGEMENT FEE	15,000.00	13.33	15,000.00	3.21
4090 ACCOUNTING/AUDITING	.00	.00	1,704.50	.37
4170 AUTOMOBILE EXPENSE	629.53	.56	7,344.39	1.57
4280 TECHNICAL ASSISTANCE	900.00	.80	900.00	.19
4290 BOARD EXPENSE	1,664.49	1.48	15,249.61	3.27
4300 DATA PROCESSING	249.81	.22	5,112.85	1.10
4310 STAFF EXPENSE	966.03	.86	18,657.42	4.00
4400 DEBT SERVICE	.00	.00	28,398.77	6.08
4410 BUILDING MAINT & OPER	781.37	.69	11,623.21	2.49
4490 TELEPHONE	395.53	.35	5,579.11	1.20
4530 POSTAGE	808.96	.72	2,927.28	.63
4610 OFFICE SUPPLIES	82.41	.07	3,003.78	.64
4620 COPIES	1,258.73	1.12	1,302.73	.28
4690 RETIREMENT	2,729.46	2.43	29,306.77	6.28
4730 FICA	1,325.69	1.18	12,626.88	2.70
4770 MEDICAL INSURANCE	2,516.27	2.24	33,409.13	7.16
4810 OTHER INSURANCE	113.30	.10	1,446.24	.31
4890 DUES, SUBSC & MEMBERSHIPS	.00	.00	2,141.78	.46
5350 PRINTING	577.98	.51	1,303.55	.28
6880 PUB RELATIONS & MARKETING	70.00	.06	70.00	.02
TOTAL EXPENSES PAID	44,669.74	39.70	370,539.54	79.40
TRANSFERS				
3200 TRANSFER FROM PROP & EQUI	.00	.00	(7,900.00)	(1.69)
6350 TRANSFER TO PROP & EQUIP	2,414.13	2.15	25,970.05	5.56
6420 DEBT SERVICE-PRINCIPAL	.00	.00	24,000.00	5.14
TOTAL TRANSFERS	2,414.13	2.15	42,070.05	9.01
EXCESS REV OVER EXP AND TRANS	65,451.14	58.15	54,215.64	11.59
BEGINNING BALANCE	(16,597.20)	(14.75)	403,756.76	86.49
ENDING BALANCE	\$ 48,853.94	43.40	\$ 457,972.40	98.08

See accompanying accountant's report.

UTAH ASSOCIATION OF COUNTIES
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND
AS OF DECEMBER 31, 2001

ASSETS

CURRENT ASSETS	
1110 INVESTMENTS	\$ 458,643.25
TOTAL CURRENT ASSETS	<u>458,643.25</u>

PROPERTY & EQUIPMENT

TOTAL PROPERTY & EQUIPMENT	<u>.00</u>
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TOTAL ASSETS	<u>\$ 458,643.25</u>
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LIABILITIES & FUND BALANCE	
2260 STATE TAX WITHHELD	\$ 670.85

TOTAL LIABILITIES	<u>670.85</u>
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FUND BALANCE	
2900 FUND BALANCE	<u>457,972.40</u>

TOTAL LIABILITIES/FUND BALANCE	<u>\$ 458,643.25</u>
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See accompanying accountant's report.

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the one month and Twelve Months ended December 31, 2000

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 447,686.00	94.87
3150 INTEREST INCOME	2,605.93	100.00	24,229.32	5.13
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TOTAL REVENUE COLLECTED	\$ 2,605.93	100.00	\$ 471,915.32	100.00
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EXPENSES PAID				
4030 STAFF SALARIES	\$ 13,577.06	521.01	\$ 146,511.64	31.05
4040 TRAINING AND ASSISTANCE	4,000.00	153.50	12,102.29	2.56
4070 MANAGEMENT FEE	10,000.00	383.74	10,000.00	2.12
4090 ACCOUNTING/AUDITING	100.00	3.84	2,104.74	.45
4170 AUTOMOBILE EXPENSE	\$ 29.74	1.14	\$ 5,017.55	1.06
4290 BOARD EXPENSE	647.62	24.85	8,900.15	1.89
4300 DATA PROCESSING	961.48	36.90	4,229.85	.90
4310 STAFF EXPENSE	1,101.17	42.26	14,218.23	3.01
4400 DEBT SERVICE	\$ 400.00	15.35	\$ 34,017.49	7.21
4410 BUILDING MAINT & OPER	767.21	29.44	10,656.93	2.26
4490 TELEPHONE	218.50	8.38	4,092.25	.87
4530 POSTAGE	23.09	.89	2,716.29	.58
4610 OFFICE SUPPLIES	263.75	10.12	2,116.16	.45
4620 COPIES	7.04	.27	1,537.61	.33
4690 RETIREMENT	\$ 5,956.17	228.56	\$ 32,179.95	6.82
4730 FICA	1,166.09	44.75	11,349.36	2.40
4770 MEDICAL INSURANCE	(18.90)	(.73)	23,676.39	5.02
4810 OTHER INSURANCE	281.67	10.81	1,371.72	.29
4890 DUES, SUBSC & MEMBERSHIPS	284.95	10.93	1,621.45	.34
5350 PRINTING	\$.00	.00	\$ 307.47	.07
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TOTAL EXPENSES PAID	\$ 39,766.64	526.01	\$ 328,727.52	69.68
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TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 6,656.00	255.42	\$ 23,857.00	5.06
3200 TRANSFER FROM PROP & EQUI	.00	.00	(4,500.00)	(.95)
6420 DEBT SERVICE-PRINCIPAL	.00	.00	22,500.00	4.77
4430 BUILDING EQUIPMENT	395.61	15.18	7,125.15	1.51
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TOTAL TRANSFERS	\$ 7,051.61	270.60	\$ 48,982.15	10.39
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EXCESS REV OVER EXP AND TRANSF	\$ (44,212.32)	(696.61)	\$ 94,205.65	19.93
BEGINNING BALANCE	\$ (41,427.71)	(589.75)	\$ 311,405.48	65.99
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ENDING BALANCE	\$ (85,640.03)	(286.36)	\$ 405,611.13	85.92
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See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 2000

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS- SL COUNTY	\$	405,611.13	

TOTAL CURRENT ASSETS		\$	405,611.13
PROPERTY & EQUIPMENT			

TOTAL PROPERTY & EQUIPMENT		\$	.00

TOTAL ASSETS		\$	405,611.13
			=====
LIABILITIES & FUND BALANCE			
LIABILITIES			

TOTAL LIABILITIES		\$	.00
FUND BALANCE			
2900 FUND BALANCE	\$	405,611.13	

TOTAL FUND BALANCE		\$	405,611.13

TOTAL LIABILITIES/FUND BALANCE		\$	405,611.13
			=====

See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the one month and Twelve Months ended December 31, 1999

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 358,610.00	94.92
3150 INTEREST INCOME	1,791.96	100.00	19,181.20	5.08
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TOTAL REVENUE COLLECTED	\$ 1,791.96	100.00	\$ 377,791.20	100.00
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EXPENSES PAID				
4030 STAFF SALARIES	\$ 13,013.55	726.22	\$ 150,774.36	39.91
4040 TRAINING AND ASSISTANCE	80.00	4.46	7,667.01	2.03
4090 ACCOUNTING/AUDITING	.00	.00	663.68	.18
4170 AUTOMOBILE EXPENSE	\$.00	.00	\$ 4,593.39	1.22
4290 BOARD EXPENSE	850.31	47.45	5,222.50	1.38
4300 DATA PROCESSING	60.00	3.35	3,166.32	.84
4310 STAFF EXPENSE	719.22	40.14	13,703.35	3.63
4350 UACIM ADMINISTRATIVE FEES	10,000.00	558.05	10,000.00	2.65
4400 DEBT SERVICE	\$.00	.00	\$ 33,511.91	8.87
4410 BUILDING MAINT & OPER	(1,240.45)	(69.22)	10,050.96	2.66
4430 BUILDING EQUIPMENT	(11,706.29)	(653.27)	.00	.00
4490 TELEPHONE	522.95	29.18	4,776.32	1.26
4530 POSTAGE	115.51	6.45	3,475.52	.92
4610 OFFICE SUPPLIES	113.52	6.33	2,458.28	.65
4620 COPIES	621.09	34.66	2,333.69	.62
4690 RETIREMENT	\$ 5,617.86	313.50	\$ 32,503.87	8.60
4730 FICA	1,117.25	62.35	11,666.28	3.09
4770 MEDICAL INSURANCE	105.20	5.87	25,905.13	6.86
4810 OTHER INSURANCE	269.94	15.06	3,215.60	.85
4890 DUES, SUBSC & MEMBERSHIPS	(114.05)	(6.36)	3,243.90	.86
5350 PRINTING	\$.00	.00	\$ 1,902.79	.50
6880 PUB RELATIONS & MARKETING	\$ 197.81	11.04	\$ 197.81	.05
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TOTAL EXPENSES PAID	\$ 20,343.42	135.26	\$ 331,032.67	87.63
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TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 16,603.84	926.57	\$ 56,145.07	14.86
6400 TRANSFER TO GENERAL FUND	.00	.00	19,000.00	5.03
3200 TRANSFER FROM PROP & EQUI	.00	.00	(3,900.00)	(1.03)
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TOTAL TRANSFERS	\$ 16,603.84	926.57	\$ 71,245.07	18.86
	-----	-----	-----	-----
EXCESS REV OVER EXP AND TRANSF	\$ (35,155.30)	(961.83)	\$ (24,486.54)	(6.49)
BEGINNING BALANCE	\$ (32,821.22)	(831.58)	\$ 352,634.52	93.34
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ENDING BALANCE	\$ (67,976.52)	(793.41)	\$ 328,147.98	86.85
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See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1999

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS- SL COUNTY	\$	328,147.98	

TOTAL CURRENT ASSETS	\$	328,147.98	
PROPERTY & EQUIPMENT			

TOTAL PROPERTY & EQUIPMENT	\$	.00	

TOTAL ASSETS			\$ 328,147.98
=====			
LIABILITIES & FUND BALANCE			
LIABILITIES			

TOTAL LIABILITIES	\$	.00	
FUND BALANCE			
2900 FUND BALANCE	\$	328,147.98	

TOTAL FUND BALANCE	\$	328,147.98	

TOTAL LIABILITIES/FUND BALANCE			\$ 328,147.98
=====			

See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the one month and Twelve Months ended December 31, 1998

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 281,635.00	93.07
3150 INTEREST INCOME	1,655.64	100.00	20,975.35	6.93
TOTAL REVENUE COLLECTED	\$ 1,655.64	100.00	\$ 302,610.35	100.00
EXPENSES PAID				
4030 STAFF SALARIES	\$ 11,638.56	702.96	\$ 131,343.13	43.40
4040 TRAINING AND ASSISTANCE	2,115.00	127.75	9,306.73	3.08
4050 LEGAL	.00	.00	139.23	.05
4090 ACCOUNTING/AUDITING	50.00	3.02	590.00	.19
4170 AUTOMOBILE EXPENSE	\$ 128.17	7.74	\$ 2,471.62	.82
4290 BOARD EXPENSE	1,135.07	68.56	6,950.82	2.30
4300 TECHNICAL ASSISTANCE	256.54	15.49	4,267.09	1.41
4310 STAFF EXPENSE	1,655.45	99.99	17,753.86	5.87
4350 UACIM ADMINISTRATIVE FEES	10,000.00	604.00	13,211.81	4.37
4410 OFFICE RENT	\$ 1,444.57	87.25	\$ 23,131.59	7.64
4490 TELEPHONE	340.98	20.60	5,432.62	1.80
4530 POSTAGE	786.74	47.52	3,475.22	1.15
4610 OFFICE SUPPLIES	22.67	1.37	3,954.03	1.31
4620 COPIES	33.62	2.03	1,563.05	.52
4690 RETIREMENT	\$ 2,133.45	128.86	\$ 25,800.44	8.53
4730 FICA	1,029.04	62.15	10,073.28	3.33
4770 MEDICAL INSURANCE	1,829.12	110.48	22,565.50	7.46
4810 OTHER INSURANCE	80.44	4.86	4,551.81	1.50
4890 DUES, SUBSC & MEMBERSHIPS	220.00	13.29	1,039.45	.34
5350 PRINTING	\$.00	.00	\$ 3,329.90	1.10
TOTAL EXPENSES PAID	\$ 34,899.42	107.92	\$ 290,951.18	96.17
TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 10,346.20	624.91	\$ 13,302.40	4.40
TOTAL TRANSFERS	\$ 10,346.20	624.91	\$ 13,302.40	4.40
EXCESS REV OVER EXP AND TRANSF	\$ (43,589.98)	(632.83)	\$ (1,643.23)	(.57)
BEGINNING BALANCE	\$ (16,005.00)	(966.70)	\$ 352,777.75	116.58
ENDING BALANCE	\$ (59,594.98)	(599.53)	\$ 351,134.52	116.01

See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1998

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ASSETS

CURRENT ASSETS

1110 INVESTMENTS- SL COUNTY \$ 351,134.52

TOTAL CURRENT ASSETS \$ 351,134.52

PROPERTY & EQUIPMENT

TOTAL PROPERTY & EQUIPMENT \$.00

TOTAL ASSETS \$ 351,134.52

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LIABILITIES & FUND BALANCE

LIABILITIES

TOTAL LIABILITIES \$.00

FUND BALANCE

2900 FUND BALANCE \$ 351,134.52

TOTAL FUND BALANCE \$ 351,134.52

TOTAL LIABILITIES/FUND BALANCE \$ 351,134.52

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See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the one month and Twelve Months ended December 31, 1997

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 267,500.00	92.68
3150 INTEREST INCOME	1,826.01	100.00	21,131.36	7.32
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TOTAL REVENUE COLLECTED	\$ 1,826.01	100.00	\$ 288,631.36	100.00
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EXPENSES PAID				
4030 STAFF SALARIES	\$ 13,165.23	720.98	\$ 108,948.58	37.75
4040 TRAINING AND ASSISTANCE	1,096.29	60.04	1,749.78	.61
4070 MANAGEMENT FEE	10,000.00	547.64	5,000.00	1.73
4090 ACCOUNTING/AUDITING	183.72	10.06	588.72	.20
4170 AUTOMOBILE EXPENSE	\$ 1,261.69	69.10	\$ 6,104.41	2.11
4290 BOARD EXPENSE	296.30	16.23	6,641.28	2.30
4300 TECHNICAL ASSISTANCE	.00	.00	107.71	.04
4310 STAFF EXPENSE	707.52	38.75	10,289.63	3.56
4350 UACIM ADMINISTRATIVE FEES	30.00	1.64	1,681.58	.58
4410 OFFICE RENT	\$ 1,628.09	89.16	\$ 19,268.74	6.68
4490 TELEPHONE	248.24	13.59	3,382.88	1.17
4530 POSTAGE	23.81	1.30	3,266.48	1.13
4610 OFFICE SUPPLIES	208.48	11.42	2,416.24	.84
4620 COPIES	658.33	36.05	1,242.83	.43
4650 NEWSLETTER EXPENSE	.00	.00	417.52	.14
4690 RETIREMENT	\$ 2,527.58	138.42	\$ 17,670.77	6.12
4730 FICA	1,147.04	62.82	8,528.20	2.95
4770 MEDICAL INSURANCE	1,629.84	89.26	17,267.51	5.98
4810 OTHER INSURANCE	155.19	8.50	3,607.00	1.25
4890 DUES, SUBSC & MEMBERSHIPS	.00	.00	918.96	.32
5350 PRINTING	\$.00	.00	\$ 1,346.26	.47
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TOTAL EXPENSES PAID	\$ 34,967.35	914.96	\$ 220,445.08	76.36
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TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 6,528.85	357.55	\$ 32,563.41	11.28
3200 TRANSFER FROM PROP & EQUIP	.00	.00	(8,900.00)	(3.08)
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TOTAL TRANSFERS	\$ 6,528.85	357.55	\$ 23,663.41	8.20
	-----	-----	-----	-----
EXCESS REV OVER EXP AND TRANSF	\$ (39,670.19)	(172.51)	\$ 44,522.87	15.44
BEGINNING BALANCE	\$ (15,876.71)	(869.48)	\$ 308,254.88	106.80
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ENDING BALANCE	\$ (55,546.90)	(41.99)	\$ 352,777.75	122.24
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See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1997

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS- SL COUNTY	\$	352,777.75	

TOTAL CURRENT ASSETS	\$	352,777.75	
PROPERTY & EQUIPMENT			

TOTAL PROPERTY & EQUIPMENT	\$	.00	

TOTAL ASSETS	\$	352,777.75	=====
LIABILITIES & FUND BALANCE			
LIABILITIES			

TOTAL LIABILITIES	\$	.00	
FUND BALANCE			
2900 FUND BALANCE	\$	352,777.75	

TOTAL FUND BALANCE	\$	352,777.75	

TOTAL LIABILITIES/FUND BALANCE	\$	352,777.75	=====

See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the one month and Twelve Months ended December 31, 1996

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$ 65,000.00	97.98	\$ 260,000.00	93.11
3150 INTEREST INCOME	1,339.80	2.02	19,240.76	6.89
	-----	-----	-----	-----
TOTAL REVENUE COLLECTED	\$ 66,339.80	100.00	\$ 279,240.76	100.00
	-----	-----	-----	-----
EXPENSES PAID				
4030 STAFF SALARIES	\$ 10,328.61	15.57	\$ 115,809.93	41.47
4040 TRAINING AND ASSISTANCE	27.04	.04	4,778.71	1.71
4070 MANAGEMENT FEE	10,000.00	15.07	15,440.34	5.53
4090 ACCOUNTING/AUDITING	.00	.00	360.00	.13
4170 AUTOMOBILE EXPENSE	\$ 361.14	.54	\$ 3,987.88	1.43
4290 BOARD EXPENSE	545.22	.82	9,931.53	3.56
4300 TECHNICAL ASSISTANCE	.00	.00	334.36	.12
4310 STAFF EXPENSE	642.01	.97	9,625.11	3.45
4350 UACIM ADMINISTRATIVE FEES	4,000.00	6.03	6,323.20	2.26
4410 OFFICE RENT	\$.00	.00	\$ 18,173.30	6.51
4490 TELEPHONE	585.42	.88	3,427.85	1.23
4530 POSTAGE	697.70	1.05	4,228.80	1.51
4610 OFFICE SUPPLIES	483.02	.73	2,923.40	1.05
4620 COPIES	.00	.00	1,518.93	.54
4650 NEWSLETTER EXPENSE	.00	.00	1,239.36	.44
4690 RETIREMENT	\$ 6,558.85	9.89	\$ 24,061.54	8.62
4730 FICA	1,028.91	1.55	9,140.36	3.27
4770 MEDICAL INSURANCE	1,546.00	2.33	22,294.06	7.98
4810 OTHER INSURANCE	171.13	.26	1,729.05	.62
4890 DUES, SUBSC & MEMBERSHIPS	.00	.00	935.08	.33
5350 PRINTING	\$ 638.25	.96	\$ 1,161.97	.42
6880 PUB RELATIONS & MARKETING\$	84.20	.13	84.20	.03
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TOTAL EXPENSES PAID	\$ 37,697.50	56.82	\$ 257,508.96	92.21
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TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 15,017.00	22.64	\$ 34,490.35	12.35
	-----	-----	-----	-----
TOTAL TRANSFERS	\$ 15,017.00	22.64	\$ 34,490.35	12.35
	-----	-----	-----	-----
EXCESS REV OVER EXP AND TRANSF\$	13,625.30	20.54	\$ (12,758.55)	(4.56)
BEGINNING BALANCE	\$ (13,301.72)	(20.05)	\$ 321,013.43	114.96
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ENDING BALANCE	\$ 323.58	.49	\$ 308,254.88	110.40
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See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1996

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS- SL COUNTY	\$	308,254.88	

TOTAL CURRENT ASSETS		\$	308,254.88
FIXED ASSETS			

TOTAL FIXED ASSETS	\$		.00

TOTAL ASSETS			\$ 308,254.88
			=====
LIABILITIES & FUND BALANCE			
LIABILITIES			

TOTAL LIABILITIES	\$		.00
FUND BALANCE			
2900 FUND BALANCE	\$	308,254.88	

TOTAL FUND BALANCE	\$	308,254.88	

TOTAL LIABILITIES/FUND BALANCE			\$ 308,254.88
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See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the one month and Twelve Months ended December 31, 1995

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 260,000.00	93.17
3150 INTEREST INCOME	1,874.81	100.00	19,072.72	6.83
TOTAL REVENUE COLLECTED	\$ 1,874.81	100.00	\$ 279,072.72	100.00
EXPENSES PAID				
4030 STAFF SALARIES	\$ 9,966.48	531.60	\$ 83,264.01	29.84
4040 TRAINING AND ASSISTANCE	347.24	18.52	1,276.01	.46
4070 MANAGEMENT FEE	10,000.00	533.39	13,559.24	4.86
4090 ACCOUNTING/AUDITING	.00	.00	330.00	.12
4170 AUTOMOBILE EXPENSE	\$ 501.63	26.76	\$ 3,261.93	1.17
4290 BOARD EXPENSE	.00	.00	7,841.39	2.81
4300 TECHNICAL ASSISTANCE	168.00	8.96	1,081.00	.39
4310 STAFF EXPENSE	324.91	17.33	7,405.39	2.65
4320 OFFICERS EXPENSE	.00	.00	1,088.50	.39
4410 OFFICE RENT	\$ 1,419.41	75.71	\$ 16,818.92	6.03
4490 TELEPHONE	313.52	16.72	3,749.83	1.34
4530 POSTAGE	6.00	.32	3,772.05	1.35
4610 OFFICE SUPPLIES	63.19	3.37	1,400.39	.50
4620 COPIES	.00	.00	1,815.30	.65
4650 NEWSLETTER EXPENSE	.00	.00	835.48	.30
4690 RETIREMENT	\$ 1,751.79	93.44	\$ 14,467.78	5.18
4730 FICA	802.03	42.78	6,429.30	2.30
4770 MEDICAL INSURANCE	(73.20)	(3.90)	14,055.56	5.04
4810 OTHER INSURANCE	53.54	2.86	1,516.33	.54
4890 DUES, SUBSC & MEMBERSHIPS	.00	.00	588.50	.21
5350 PRINTING	\$ 554.32	29.57	\$ 2,319.15	.83
TOTAL EXPENSES PAID	\$ 26,198.86	397.43	\$ 186,876.06	66.96
TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 42.00	2.24	\$ 15,809.07	5.66
TOTAL TRANSFERS	\$ 42.00	2.24	\$ 15,809.07	5.66
EXCESS REV OVER EXP AND TRANSF	\$ (24,366.05)	(299.67)	\$ 76,387.59	27.38
BEGINNING BALANCE	\$ (16,277.45)	(868.22)	244,625.84	87.66
ENDING BALANCE	\$ (40,643.50)	(167.89)	\$ 321,013.43	115.04

See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1995

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS- SL COUNTY	\$	321,013.43	

TOTAL CURRENT ASSETS		\$	321,013.43
FIXED ASSETS			

TOTAL FIXED ASSETS		\$	.00

TOTAL ASSETS			\$ 321,013.43
			=====
LIABILITIES & FUND BALANCE			
LIABILITIES			

TOTAL LIABILITIES		\$	.00
FUND BALANCE			
2900 FUND BALANCE	\$	321,013.43	

TOTAL FUND BALANCE		\$	321,013.43

TOTAL LIABILITIES/FUND BALANCE			\$ 321,013.43
			=====
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See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the year ended December 31, 1994

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
BEGINNING BALANCE	\$ 46,144.02	98.84	\$ 190,108.47	44.61
<hr/>				
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 225,000.00	52.80
3150 INTEREST INCOME	540.55	1.16	11,067.44	2.60
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TOTAL REVENUE COLLECTED	\$ 540.55	1.16	\$ 236,067.44	55.40
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EXPENSES PAID				
4030 STAFF SALARIES	\$ 5,657.34	12.12	\$ 61,832.29	14.51
4040 TRAINING AND ASSISTANCE	721.00	1.54	1,535.53	.36
4050 LEGAL	.00	.00	1,151.50	.27
4070 MANAGEMENT FEE	10,000.00	21.42	10,000.00	2.35
4090 ACCOUNTING/AUDITING	30.00	.06	330.00	.08
4170 AUTOMOBILE EXPENSE	\$ 666.80	1.43	\$ 3,611.03	.85
4290 BOARD EXPENSE	1,060.43	2.27	4,224.16	.99
4300 TECHNICAL ASSISTANCE	.00	.00	75.50	.02
4310 STAFF EXPENSE	292.00	.63	6,079.17	1.43
4410 OFFICE RENT	\$ 1,289.75	2.76	\$ 15,081.75	3.54
4490 TELEPHONE	783.36	1.68	3,212.55	.75
4530 POSTAGE	13.50	.03	2,727.90	.64
4610 OFFICE SUPPLIES	167.51	.36	2,520.69	.59
4620 COPIES	148.40	.32	1,930.06	.45
4650 NEWSLETTER EXPENSE	424.40	.91	424.40	.10
4690 RETIREMENT	\$ 1,184.93	2.54	\$ 11,704.44	2.75
4730 FICA	447.77	.96	5,209.25	1.22
4770 MEDICAL INSURANCE	991.70	2.12	12,275.87	2.88
4810 OTHER INSURANCE	46.64	.10	952.25	.22
4890 DUES, SUBSC & MEMBERSHIPS	27.01	.06	710.51	.17
5350 PRINTING	\$.00	.00	\$ 3,136.41	.74
6880 PUB RELATIONS & MARKETING	\$ 200.00	.43	\$ 200.00	.05
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TOTAL EXPENSES PAID	\$ 24,152.54	51.74	\$ 148,925.26	34.96
<hr/>				
TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 4,059.00	8.69	\$ 8,979.69	2.11
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TOTAL TRANSFERS	\$ 4,059.00	8.69	\$ 8,979.69	2.11
<hr/>				
EXCESS REV OVER EXP AND TRANSF	\$ (27,670.99)	(59.27)	\$ 78,162.49	18.33
<hr/>				
ENDING BALANCE	\$ 18,473.03	39.57	\$ 268,270.96	62.94
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See Accountant's Compilation Report

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1994

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS	\$	245,481.04	

TOTAL CURRENT ASSETS			\$ 245,481.04
FIXED ASSETS			

TOTAL FIXED ASSETS			\$.00

TOTAL ASSETS			\$ 245,481.04
			=====
LIABILITIES & FUND BALANCE			
LIABILITIES			
2260 STATE TAX WITHHELD	\$	855.20	

TOTAL LIABILITIES			\$ 855.20
FUND BALANCE			
2900 FUND BALANCE	\$	244,625.84	

TOTAL FUND BALANCE			\$ 244,625.84

TOTAL LIABILITIES/FUND BALANCE			\$ 245,481.04
			=====

See Accountant's Compilation Report

STATEMENT OF REVENUE
COLLECTED AND EXPENSES PAID
INSUR MUTUAL TRANSACTION FUND

For the year ended December 31, 1993

	CURRENT-PERIOD AMOUNT	CUR-PD RATIO	YEAR-TO-DATE AMOUNT	Y-T-D RATIO
BEGINNING BALANCE	\$ (15,649.90)	(103.30)	\$ 88,992.10	27.47
<hr/>				
REVENUE COLLECTED				
3120 MANAGEMENT FEES	\$.00	.00	\$ 225,000.00	69.46
3130 EMPLOYEE TRAINING	.00	.00	3,210.00	.99
3150 INTEREST INCOME	500.57	3.30	6,717.10	2.07
<hr/>				
TOTAL REVENUE COLLECTED	\$ 500.57	3.30	\$ 234,927.10	72.52
<hr/>				
EXPENSES PAID				
4030 STAFF SALARIES	\$ 3,377.04	22.29	\$ 58,115.47	17.94
4040 TRAINING AND ASSISTANCE	2,607.26	17.21	11,983.77	3.70
4050 LEGAL	.00	.00	650.00	.20
4070 MANAGEMENT FEE	10,000.00	66.01	10,000.00	3.09
4090 ACCOUNTING/AUDITING	1,458.00	9.62	1,458.00	.45
4170 AUTOMOBILE EXPENSE	\$ 474.96	3.14	\$ 3,005.50	.93
4210 MEALS & LODGING - MISC	34.18	.23	1,318.61	.41
4290 BOARD EXPENSE	82.85	.55	2,665.17	.82
4300 TECHNICAL ASSISTANCE	.00	.00	207.90	.06
4310 STAFF EXPENSE	.00	.00	3,737.23	1.15
4330 OTHER	.00	.00	2,625.69	.81
4410 OFFICE RENT	\$ 1,342.98	8.86	\$ 13,130.49	4.05
4490 TELEPHONE	171.72	1.13	2,985.70	.92
4530 POSTAGE	400.00	2.64	2,274.22	.70
4610 OFFICE SUPPLIES	476.20	3.14	3,708.23	1.14
4620 COPIES	.00	.00	1,983.07	.61
4690 RETIREMENT	\$ 604.09	3.99	\$ 9,834.97	3.04
4730 FICA	221.93	1.46	4,272.86	1.32
4770 MEDICAL INSURANCE	497.46	3.28	11,191.46	3.46
4810 OTHER INSURANCE	.00	.00	665.20	.21
4890 DUES, SUBSC & MEMBERSHIPS	1.91	.01	1,027.32	.32
5290 MEALS & LODGING	\$.00	.00	\$ 65.40	.02
6910 GIFTS	\$ 387.61	2.56	\$ 387.61	.12
<hr/>				
TOTAL EXPENSES PAID	\$ 22,138.19	146.12	\$ 147,293.87	45.47
<hr/>				
TRANSFERS				
6350 TRANSFER TO PROP & EQUIP	\$ 3,662.26	24.17	\$ 12,361.98	3.82
<hr/>				
TOTAL TRANSFERS	\$ 3,662.26	24.17	\$ 12,361.98	3.82
<hr/>				
EXCESS REV OVER EXP AND TRANSF	(25,299.88)	(166.99)	75,271.25	23.23
<hr/>				

STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE
INSUR MUTUAL TRANSACTION FUND

As of December 31, 1993

=====			
ASSETS			
CURRENT ASSETS			
1110 INVESTMENTS	\$	165,747.03	

TOTAL CURRENT ASSETS			\$ 165,747.03
FIXED ASSETS			

TOTAL FIXED ASSETS			\$.00

TOTAL ASSETS			\$ 165,747.03
=====			
LIABILITIES & FUND BALANCE			
LIABILITIES			
2220 FICA WITHHELD	\$	366.86	
2230 MEDICARE TAX WITHHELD		85.82	
2240 FEDERAL TAX WITHHELD		392.00	
2260 STATE TAX WITHHELD		639.00	

TOTAL LIABILITIES			\$ 1,483.68
FUND BALANCE			
2900 FUND BALANCE	\$	164,263.35	

TOTAL FUND BALANCE			\$ 164,263.35

TOTAL LIABILITIES/FUND BALANCE			\$ 165,747.03
=====			

See Accountant's Compilation Report

76100-02

Utah Association of Counties

Prepared by _____

11/08/93

Adjusted Trial Balance

Reviewed by _____

10:50 AM

Department - 010

For the 1 period(s) ended December 31, 1992

Page 21

Account #	Account Name	Prior Year Balance 12/31/91	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
3050-010	Administrative Fee			AJE-22	(101,806.95)	(101,806.95)	
4030-010	Staff Salaries			AJE-22	45,061.93	45,061.93	
4170-010	Automobile Expense			AJE-22	1,173.85	1,173.85	
4290-010	Board Expense			AJE-22	943.25	943.25	
4310-010	Staff Expense			AJE-22	1,559.64	1,559.64	
4410-010	Office Rent			AJE-22	6,259.52	6,259.52	
4490-010	Telephone			AJE-22	796.13	796.13	
4610-010	Office Expense			AJE-22	274.88	274.88	
4620-010	Copies			AJE-22	1,339.85	1,339.85	
4690-010	Retirement			AJE-22	4,138.46	4,138.46	
4730-010	FICA			AJE-22	1,930.34	1,930.34	
4770-010	Medical Insurance			AJE-22	4,069.68	4,069.68	
4890-010	Dues & Subscriptions			AJE-22	1,319.04	1,319.04	
5530-010	Travel		(1,854.22)	AJE-22	1,854.22		
5531-010	Travel		1,854.22			1,854.22	
5750-010	Miscellaneous			AJE-22	1,746.31	1,746.31	
6300-010	Purchase Auto			AJE-22	10,575.00	10,575.00	
6350-010	Purchase Furniture & Equi			AJE-22	18,765.85	18,765.85	
9999-010	Miscellaneous						
(Profit) Loss		0.00	0.00		1.00	1.00	

FIRST SECURITY BANK OF UTAH, N.A.

UAC INSURANCE MUTUAL 0192
 4021 S. 700 E., SUITE 180 PH. 801-288-0609
 SALT LAKE CITY, UTAH 84107

First Security Bank
 First Security Bank of Utah
 79 South Main
 Salt Lake City, Utah 84111

1019

May 21 19 92

31-1
1240 051

AY One Hundred and Eighty-Nine Thousand Eight Hundred and Fifty-Eight DOLLARS \$ 189,858.41
 and 41/100-----

TO
THE
ORDER
OF

Utah Association of Counties
 4021 South 700 East Suite 180
 Salt Lake City, Utah 84107

Scott Hirschi
L. Brent Gardner

⑈001019⑈ ⑈124000012⑈051 00396 70⑈

⑈0018985841⑈

BALANCE SHEET
ALL DEPARTMENTS

As of December 31, 1992

=====

	ASSETS
04 CASH IN CHECKING	\$ 33,982.95
11 INVESTMENTS	333,234.83
15 CONTINGENT CASH	312.00
16 OTHER CASH	6,061.42
18 DEFERRED COMPENSATION PL.	70,170.13
22 LEASE DEPOSIT	2,847.00
25 CERTIFICATES OF DEPOSIT	20,292.37
35 AUTOMOBILES	36,745.37
37 FURNITURE & EQUIPMENT	72,237.23

TOTAL ASSETS \$ 575,883.30

=====

LIABILITIES & FUND EQUITY

LIABILITIES

22 FICA WITHHELD	\$ 691.55
23 MEDICARE TAX WITHHELD	329.40
24 FEDERAL TAX WITHHELD	1,474.42
26 STATE TAX WITHHELD	2,550.16
31 DUE TO INSURANCE MUTUAL	88,051.46
32 DUE TO MULTI COUNTY	(8,432.13)
33 DUE TO SALT LAKE COUNTY	(2,469.09)
35 ROLLINS TECHNICAL SERVICES	1,707.57
30 DUE EMP. COMP. PLAN	70,170.13
31 SALT LAKE COUNTY DEPOSIT	2,244.83
34 WILDERNESS ANALY-LEAMING	1,525.19
9 JOINT HIGHWAY COMMITTEE	5,120.78
0 RISK MANAGEMENT SERVICES	940.64

TOTAL LIABILITIES \$ 163,904.91

FUND EQUITY

5 INVESTMENT IN AUTOMOBILES	\$ 36,745.37
7 INVESTMENT IN FURN & EQUIP	72,237.23
1 GENERAL FUND	76,659.97
2 SPEC REV (CONVENTION) FUND	44,363.11
3 CAP PROJECTS (AUTO) FUND	32,454.32
4 TRUST (RESERVE) FUND	71,475.03
5 UNBUDGETED PROFIT	(1,556.15)
6 SPEC PROJ/LITIGATION FUND	79,599.51

TOTAL FUND EQUITY \$ 411,978.39

TOTAL LIABILITIES/FUND EQUITY \$ 575,883.30

=====

See Accountant's Compilation Report

AGREEMENT FOR GENERAL ADMINISTRATIVE SERVICES

This Agreement is by and between the Utah Association Insurance Mutual (hereinafter "UACIM") and the Utah Association of Counties (hereinafter "UAC"). In consideration of the mutual covenants herein contained, the parties agree as follows:

1. **Term.** This Agreement shall take effect on the date UACIM's Bylaws become effective pursuant to Article 17 of the Bylaws and Articles of Incorporation.
2. **Office Space.** UACIM shall occupy office space provided by UAC, the rental value of which is included in the annual sum paid by UACIM and UAC.
3. **Determination of Annual Rent.** The rental to be paid by UACIM to UAC shall be based upon the actual space occupied by UACIM as a prorata share of the total available square footage in the UAC building. Such rental amount shall include the following:
 1. UACIM's share of the cost of annual debt service owed by UAC (which amount varies from year to year).
 2. UACIM's prorata share of the operating and maintenance expenses incurred by UAC.
 3. UACIM's prorata share of the reserves required to be maintained by UAC pursuant to its financial arrangements.
4. **The Effect of Debt Service.** UACIM and UAC acknowledge and agree that UACIM's payment of a proportionate share of UAC's debt service on the UAC building, will include its interest in and to said UAC building and property as more specifically set forth in the UACIM Sublease/Purchase Agreement.
5. **Reimbursement for Services.** UACIM shall pay UAC for all services rendered under this Agreement, a total annual sum which shall consist of all expenses associated with UAC staff's administration of the pool, as determined annually and approved by the UAC Board of Directors and the UACIM Board of Trustees commencing with the 2000 annual service fee, UAC will refund to UACIM any surplus amount over \$7,500.00 of the total annual fee. In the years when administrative expenses exceed the annual fee, UACIM will reimburse UAC for all expenses associated with the administration of the pool over \$7,500.00 of the total annual fee.
6. **Services.** UAC shall retain a Pool Administrator and other staff members, as appropriate, to provide or arrange for provision of services to UACIM. Such services shall include, but not necessarily be limited to : Bookkeeping; preparation of financial statements; preparation of necessary reports on claims, recording and depositing of payments; providing information to potential members; reviewing claims from members' reviewing and making recommendations on all UACIM contracts;

maintaining a compliant register; acting as a liaison with state authorities and responding to inquiries from state authorities; computing and providing membership contribution billings; filing required forms and reports with state and other governmental authorities; maintaining appropriate files; assisting the UACIM auditor and actuary as necessary; reviewing the performance of all contract service providers; coordinating banking functions, handling deposits and reconciliations; implementing investment policies membership meetings; attending membership and Board meetings and other meetings necessary to the administration of the UACIM; keeping detailed minutes of member and Board meetings; and administering committees established by the Board. The Pool Administrator may execute all contracts on behalf of the UACIM which are necessary to provide the general administrative services described herein if any moneys to be expended under the contract are included in the UACIM's approved budget or any revisions thereto.

7. **Other Service Providers.** Nothing in the Agreement is intended to make UAC, its officers, or employees liable for the errors, omissions, negligence, or other torts of UACIM's claims administration service or of any other contract service provider to UACIM; and no such liability shall exist. UAC shall not be responsible for the duties assigned to UACIM's other service providers pursuant to contract or decision of the Board.
8. **Amendments.** This Agreement may be amended by mutual written agreement of the parties.
9. **General Provisions.** This Agreement contains all agreements, understandings and arrangements between the parties and no other exist. All previous agreements, understandings and arrangements between the parties are terminated by the Agreement.

By these signatures, the parties agree to all the terms, conditions and provisions of this Agreement.

Utah Association of Counties

By: Sharon P. Walters
President
Board of Directors

Utah Association of Counties Insurance Mutual

By: Harold Herbert
President
Board of Trustees

Date: April 18, 2001

Date: _____

AGREEMENT FOR GENERAL ADMINISTRATIVE SERVICES

This Agreement is by and between the Utah Association Insurance Mutual (hereinafter "UACIM") and the Utah Association of Counties (hereinafter "UAC"). In consideration of the mutual covenants herein contained, the parties agree as follows:

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2. Office Space. UACIM shall occupy office space provided by UAC, the rental value of which is included in the annual sum paid by UACIM to UAC.
3. Reimbursement for Services. UACIM shall pay UAC for all services rendered under this Agreement, a total annual sum which shall consist of all expenses associated with UAC staff's administration of the pool, as determined annually and approved by the UAC Board of Directors and the UACIM Board of Directors. UACIM shall reimburse UAC for reasonable costs UAC incurred in the formation of UACIM.
4. Services. UAC shall retain a Pool Administrator and other staff members, as appropriate, to provide or arrange for provision of services to UACIM. Such services shall include, but not necessarily be limited to: Bookkeeping; preparation of financial statements; preparation of necessary reports on claims, recording and depositing of payments; providing information to potential members; reviewing claims from members; reviewing and making recommendations on all UACIM contracts; maintaining a complaint register; acting as a liaison with state authorities and responding to inquiries from state authorities; computing and providing membership contribution billings; filing required forms and reports with state and other governmental authorities; maintaining appropriate files; assisting the UACIM auditor and actuary as necessary; reviewing the performance of all contract service providers; coordinating banking functions, handling deposits and reconciliations; implementing investment policies established by the Board; providing necessary notices of membership meetings; supplying resource material for membership and Board meetings; attending membership and Board meetings and other meetings necessary to the administration of the UACIM; keeping detailed minutes of member and Board meetings; and administering committees established by the Board. The Pool Administrator may execute all contracts on behalf of the UACIM which are necessary to provide the general administrative services described herein if any moneys to be expended under the contract are included in the UACIM's approved budget or

any approved revisions thereto.


5. Other Service Providers. Nothing in the Agreement is intended to make UAC, its officers or employees liable for the errors, omissions, negligence, or other torts of UACIM's claims administration service or of any other contract service provider to UACIM; and no such liability shall exist. UAC shall not be responsible for the duties assigned to UACIM's other service providers pursuant to contract or decision of the Board.
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7. General Provisions. This Agreement contains all agreements, understandings and arrangements between the parties and no other exist. All previous agreements, understandings and arrangements between the parties are terminated by the Agreement.

By these signatures, the parties agree to all the terms, conditions and provisions of this Agreement.

UTAH ASSOCIATION OF COUNTIES

By 
President
Board of Directors

UTAH ASSOCIATION OF COUNTIES
INSURANCE MUTUAL

By 
President
Board of Directors

DATE: January 31, 1992

DATE: January 31, 1992

UACIM/UAC

Memorandum

CONFIDENTIAL ATTORNEY WORK PRODUCT

To: Board of Trustees of the Utah Association of Counties Insurance Mutual and Shawn Guzman, UACIM Director
From: Craig V. Wentz; Barton H. Kunz II
Date: August 7, 2002
Re: Fiduciary Duties

You have asked us to provide a short overview of the law regarding the creation and discharge of fiduciary duties in Utah. Our response follows.

Creation of a Fiduciary Relationship

"The existence of a fiduciary relationship is a prerequisite to a finding of a fiduciary duty." Winkler v. Rocky Mountain Conference of the United Methodist Church, 923 P.2d 152, 157 (Colo. Ct. App. 1996). There are generally two kinds of fiduciary relationships:

"(1) [T]hose specifically created by contract such as principal and agent, attorney and client, and trustee and *cestui que trust*, for example, and those created by formal legal proceedings such as guardian and/or conservator and ward, an executor or administrator of an estate, among others, and (2) [T]hose implied in law due to the factual situation surrounding the involved transactions and the relationship of the parties to each other and to the questioned transactions."

First Security Bank of Utah, NA v. Banberry Development Corp., 786 P.2d 1326, 1332 (Utah 1990) (quoting Dennison State Bank v. Madeira, 640 P.2d 1235, 1241 (Kan. 1982)). See also Hal Taylor Assocs. v. Unionamerica, Inc., 657 P.2d 743, 749 (Utah 1982) (finding that fiduciary relationships are created by contract or where equity will imply a higher duty "because the trusting party has been induced to relax the care and vigilance he would ordinarily exercise").

Thus, "[c]ertain relationships give rise to general fiduciary duties as a matter of law, i.e., attorney-client, principal-agent, trustee-beneficiary." Bailey v. Allstate Ins. Co., 844 P.2d 1336, 1339 (Colo. Ct. App. 1992).

Determining whether a fiduciary duty is implied by law is a fact intensive question for which “[t]here is no invariable rule.” Id. at 1333. It usually arises when the person or entity in question “is in a position to have and exercise and does have and exercise influence over another.... Generally, in a fiduciary relationship, the property, interest or authority of the other is placed in the charge of the fiduciary.” Id. at 1333. Or, as stated in Newell v. Halloran, 250 P. 986 (Utah 1926):

Mere confidence in one person by another is not sufficient alone to constitute a fiduciary relationship. The confidence must be reposed by one under such circumstances as to create a corresponding duty, either legal or moral, upon the part of the other to observe the confidence, and it must result in a situation where as a matter of fact there is superior influence on one side and dependence on the other.

Id. at 988. Although the facts may change,

it is manifest in all the decisions that there must be not only confidence of the one in the other, but there must exist a certain inequality, dependence, weakness of age, of mental strength, of business intelligence, knowledge of the facts involved, or other conditions, giving to one advantage over the other.

First Security, 786 P.2d at 1333.

Thus, a fiduciary duty arises when one party has a high degree of control over the property or subject matter of another, or when the benefiting party places a high level of trust and confidence in the fiduciary to look out for the beneficiary’s best interest. Additionally, when one party relies on another’s higher degree of expertise in an area, a fiduciary duty may arise.

Bailey, 844 P.2d at 1339 (holding ultimately that the insurer-insured relationship is contractually defined in the first-party context).¹

Fiduciary Duties

Once a fiduciary duty has been created, the fiduciary must “act principally for the benefit of another in matters connected with that undertaking.” Id. See also First Security, 786 P.2d at 1333 (“A fiduciary is a person with a duty to act primarily for the benefit of another.”). “A fiduciary’s obligations to the beneficiary include, among other things, a duty of loyalty, a duty

¹ Using these standards, fiduciary relationships were not found under fact-intensive analysis in either Newell (dealing with experienced business operators) or First Security (addressing the relationship between senior and junior lienholders). However, such relationships have been found between a broker and customer (MidAmerica Fed. Sav. & Loan Ass’n v. Shearson/American Express Inc., 886 F.2d 1249 (10th Cir. 1989)); between an employer and employee (Envirotech Corp. v. Callahan, 872 P.2d 487, 496-97 (Utah Ct. App. 1994)); between an insurer and insured in the third-party context (Ammerman v. Farmer’s Ins. Exchange, 430 P.2d 576, 578-79 (Utah 1967)); and between a parishioner and pastor and conference (Winkler v. Rocky Mountain Conf. of the United Methodist Church, 923 P.2d 152, 158 (Colo. Ct. App. 1995)).

to exercise reasonable care and skill, and a duty to deal impartially with the beneficiary.” Bailey, 844 P.2d at 1339 (citing Destefano v. Grabrian, 763 P.2d 275, 284 (Colo. 1988)).

“The duty of loyalty requires a trustee [or other fiduciary] to act only for the benefit of the beneficiaries and to exercise prudence and skill in administering the trust.” National Parks and Conservation Assoc. v. Board of State Lands, 869 P.2d 909, 918 (Utah 1993) (emphasis added). Restatement (Second) of Trusts adds that the fiduciary “is under a duty to the beneficiary to deal fairly with him and to communicate to him all material facts in connection with the transaction which the [fiduciary] knows or should know.” Restatement (Second) of Trusts § 170(2) (1959).

The duty to exercise reasonable care and skill requires fiduciaries to “exercise such care and skill as a [fiduciary] of ordinary prudence would exercise in dealing with [the fiduciary’s] own property.” Restatement (Second) of Trusts § 174 (1959). However, if a fiduciary possesses more skill than a person of ordinary prudence, the fiduciary has a duty to exercise it. See id. Furthermore, a fiduciary’s ignorance of the terms of a trust will not excuse the fiduciary from liability. See id., cmt. c.

Finally, the duty of impartiality requires a fiduciary to treat multiple beneficiaries impartially. See Restatement (Second) of Trusts § 183.

Summary

A fiduciary duty may be created by contract or implied by law. Certain relationships, such as principal-agent or trustee-beneficiary, are fiduciary as a matter of law. If a relationship is not founded on a contract or fiduciary as a matter of law, then it still might be implied.

Determining whether a fiduciary relationship is implied is a fact-intensive analysis that concentrates on the potential fiduciary’s knowledge, control, expertise, and influence and the potential beneficiary’s confidence therein. Once a fiduciary relationship has been established, the fiduciary owes the duties of loyalty, the exercise of reasonable care and skill, and impartiality to the beneficiary of that relationship.

We would be happy to elaborate on any of these points at your request.

AFFIDAVIT OF GARY R. HERBERT

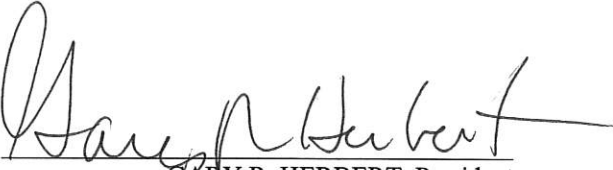
STATE OF UTAH)
 :SS
COUNTY OF SALT LAKE)

Gary R. Herbert, being duly sworn upon oath, deposes and says:

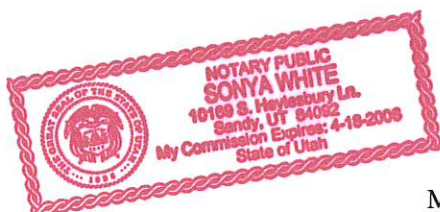
1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 8 day of August, 2002, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

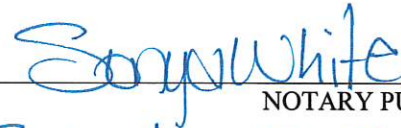
FURTHER, Affiant saith not.

DATED this 28 day of August, 2002.


GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 28 day of August, 2002, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.




NOTARY PUBLIC
Residing at: Sandy, UT
My Commission Expires: 4-18-2006

